

**FISH AND SEAFOOD PROCESSING
IN NEW BRUNSWICK**

**STRATEGY FOR A
RATIONAL DEVELOPMENT**

FINAL REPORT

**TASK FORCE ON THE RATIONALIZATION
OF FISH AND SEAFOOD PROCESSING
IN NEW BRUNSWICK**

April 1991



April 11, 1991

The Honourable Denis Losier
Minister of Fisheries and Aquaculture
Government of New Brunswick
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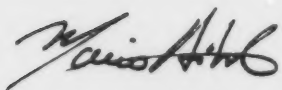
Sir:

We are pleased to submit to you the report of the Task Force on the Rationalization of Fish and Seafood Processing in New Brunswick.

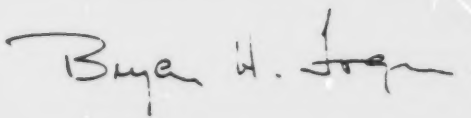
Yours truly,

Chairman,

Co-chairman,

A handwritten signature in dark ink, appearing to read 'Mario Hébert', with a stylized flourish at the end.

Mario Hébert

A handwritten signature in dark ink, appearing to read 'Bryan H. Ferguson', with a long horizontal stroke at the end.

Bryan Ferguson



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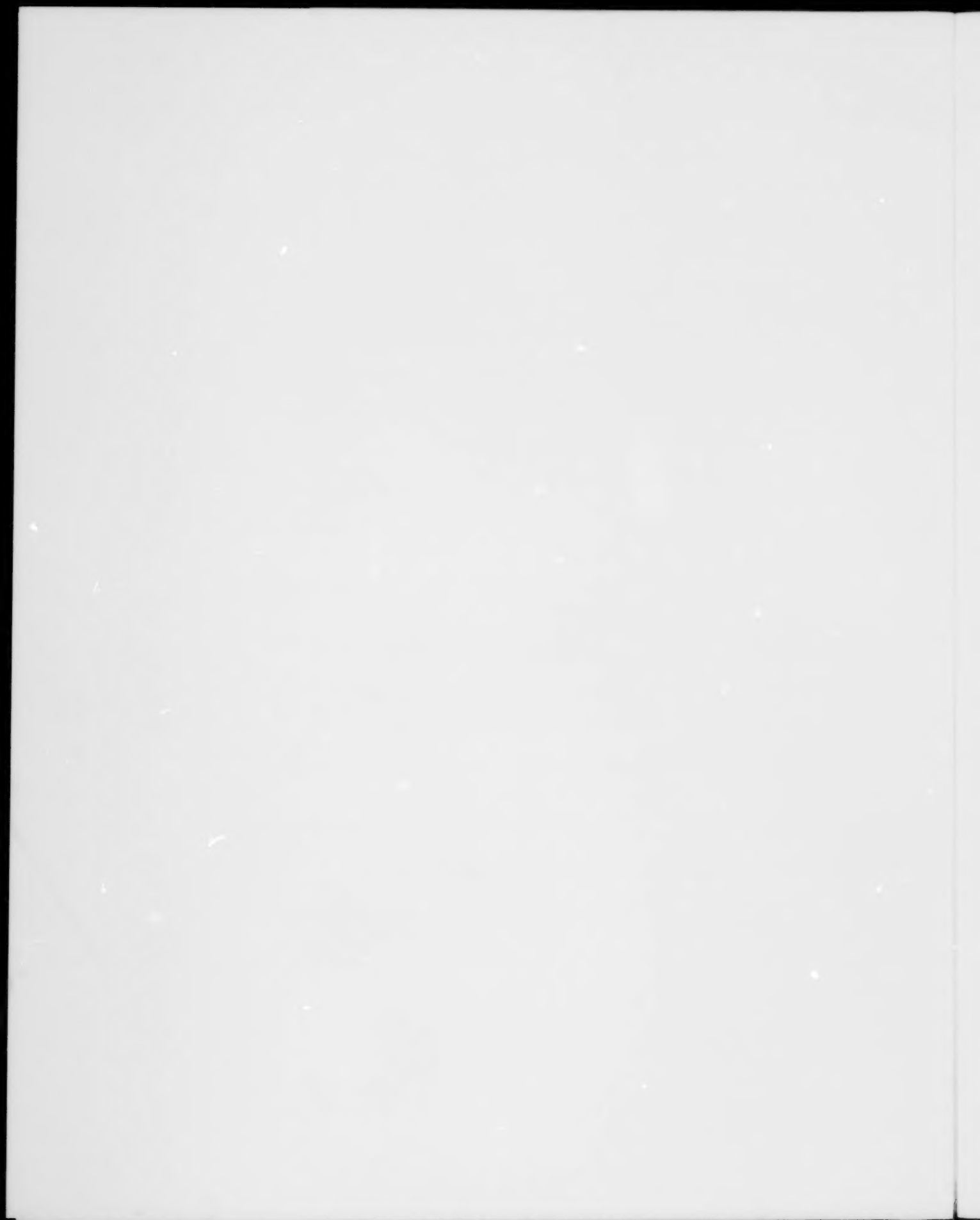


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INTRODUCTION

After reaching record highs in 1987, the fishing industry in Atlantic Canada took a nose dive that was all the more devastating because, as has so rarely happened in the history of this economic sector, the decline in some fisheries resources was accompanied by a low point in the economic cycle.¹

The effects of such a combination of circumstances were not long in coming: significant reduction in landings of several key species; collapse in prices, resulting in plant shutdowns and alarming financial instability throughout the industry.

New Brunswick was not spared the effects of this turbulent period, although they were felt less acutely here than in other provinces.² In order to clarify the current state of affairs and to create an environment that would allow the industry to move successfully into the 21st century, Hon. Denis Losier, the Minister of Fisheries and Aquaculture of New Brunswick, appointed a Task Force on the Rationalization of Fish and Seafood Processing in New Brunswick. The Minister stated that the terms of reference of the Task Force were "to work towards establishing a framework to ensure the future prosperity of the provincial fishing industry, which is now going through a difficult period."

The purpose of the study was to identify various means and mechanisms to be used in developing an integrated rationalization plan for processing activities in the New Brunswick fishing industry. To this end, the Task Force was to submit recommendations to:

- make optimum use of fisheries resources and production capacities;
- address the realities of the modern business environment: increased competition, increase in costs associated with new technologies, shortened product life cycles, increase in costs associated with the development of new markets and market globalization.

¹ Some of the factors that have affected the Atlantic fishery include:

- failure to realize our fishery's potential;
- development of the fishery in several parts of the world;
- unparalleled penetration of aquaculture worldwide;
- downturn in the world economy after seven consecutive years of economic growth;
- strong appreciation of the Canadian dollar in relation to our two major markets (the United States and Japan);
- increased interest rates.

² Fisheries throughout the world are going through a period that has been called a crisis by a number of people; see, for example, Phil Appleyard, "Why Fishing Needs Natural Survivors," *Fishing News International*, July 1990.

In meeting this important challenge, the Task Force received the valuable contribution of members of the New Brunswick fishing and aquaculture industry. Representatives of packers, plant workers, fishermen, growers and buyers from each of the province's three fishing and aquaculture regions took part in intensive meetings. Brainstorming sessions were also organized with various groups and individuals who had the expertise the Task Force required to fulfill its mandate. These included specialized fisheries consulting firms and scientists specializing in matters related to a high value-added processing. The Task Force also consulted with fisheries representatives from other provinces in Canada and with representatives from related economic sectors, such as financial institutions, which were more than willing to share with us their analysis of the situation.

Our work could not have been completed within such a short period of time had it not been for the significant contribution of the various departments involved either directly or indirectly in the fishing industry and of the business community in each of the regions studied.

The Task Force was chaired by economist Mario Hébert and co-chaired by consultant Bryan Ferguson. Ron Sisk, an economist with the Department of Fisheries and Aquaculture of New Brunswick, and Louis Arsenault and Iain MacMillan of the Department of Commerce and Technology of New Brunswick were actively involved in the group's work. We also wish to thank the Department of Labour of New Brunswick as well as Fisheries and Oceans Canada, which provided us with access to its statistical information services, without which we could not have fulfilled our mandate.

We wish to extend special thanks to Ginette Lafleur, who performed various tasks related to the writing and layout of the report.

The report has two sections. First, we thought it essential to review the present condition of the New Brunswick fish and seafood processing industry.

Second, the Task Force develops the basic infrastructure upon which the province's fishing industry must be based to ensure its future. This section, entitled "Objective 2000", contains sub-sections on rationalization, marketing, quality and training, with recommendations on each. The recommendations deal not only with the problems of the industry, but are also a stimulus to push the industry to achieve its full development potential.

We would like to remind those who find that the report does not deal with all aspects of the sector, that the mandate of the Task Force was to focus on characteristics inherent to the situation at the processing firm level. This is not to say that we excluded landings, culture and marketing from our analysis. On the contrary; these aspects are looked at in relation to the primary objective of the study: identification of developmental tools for the processing sector, tools involving policies, programs and legislation to ensure the long-term stabilization of processing activities and, hence, of the entire industry.

There have been some major difficulties in fulfilling such a mandate. For example, it is almost impossible to rationalize the processing of one species and disregard another as most firms process more than one. The Task Force had to keep this constraint in mind at all times. In other words, it had to consider rationalization from an overall perspective

(with all of the limitations that that implies). The recommendations in this report must be read and interpreted with these constraints in mind.

1. THE CONDITION OF THE FISH AND SEAFOOD PROCESSING INDUSTRY

One of the objectives of the Task Force was to develop as accurate a profile as possible of the New Brunswick fish and seafood processing industry. This was viewed by the Task Force and by all industry participants as a preliminary step to developing instruments to ensure the effective and rational management of the industry.

Unfortunately, we were unable to develop as accurate a profile as we had hoped at the outset. This chapter provides an overview of processing at the provincial level, as it was next to impossible for us to obtain regional statistics. First, emphasis is placed on the main characteristics of this sector: capacity, production and funding. Second, we turn our attention more specifically to the human resources involved in processing activities.

During the course of our work, we were able to obtain a sufficiently representative picture of the situation overall to develop a plan of action despite the difficulty in obtaining accurate, up-to-date data.

1.1 Processing Plants

1.1.1 The Difficult Question of Overcapacity

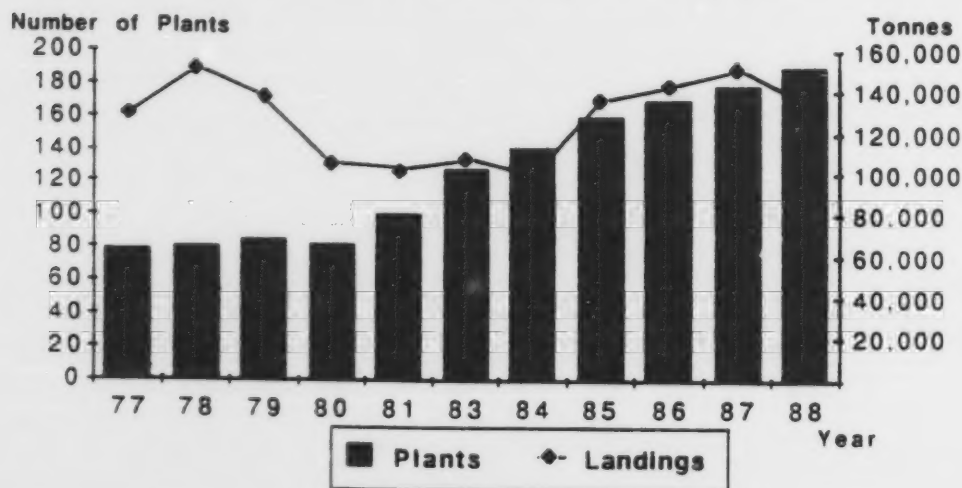
a) Number of Plants

A quick glance at the increase in the number of processing plants as compared to landings, and the impact of these tasks on the value of processed products paints an extremely alarming picture.

From 1977 to 1988, the number of processing plants registered with the federal government rose from 80 to 190³, for an increase of 137%, whereas landings rose by only 4% (129,117 t to 134,207 t). See Diagram 1.

Diagram 1

Number of Fish Processing Plants and Landings, New Brunswick, 1977 to 1988



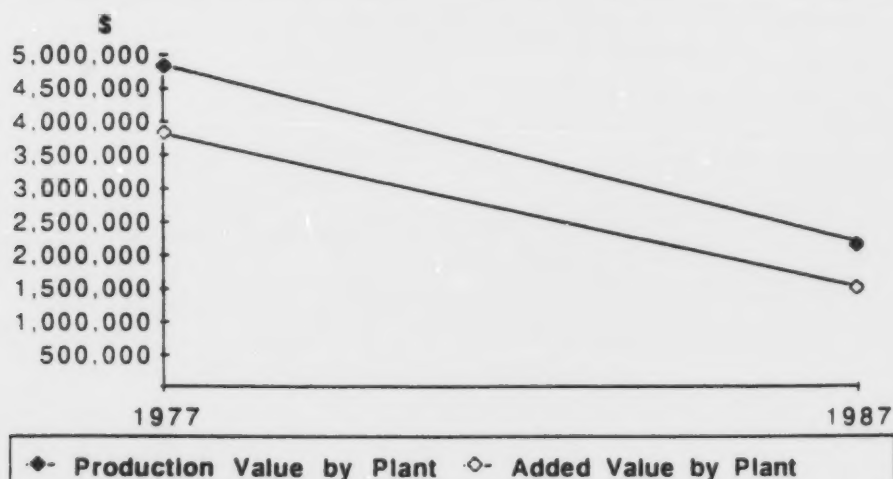
Source: Louise Hébert. *Great Expectations: The Atlantic Fish Processing Sector*, Department of Fisheries and Oceans Gulf Region, July 1989.

³ Note, however, that part of this increase resulted from changes in the definitions used (which led, for example, to the inclusion of 25 smokehouses).

From 1977 to 1987, the average value of production per plant (in constant 1987 dollars) dropped by 55%, and the average added value (in constant 1987 dollars) fell by over 50%, going from \$3,827,983 to only \$1,509,056. See Diagram 2.

Diagram 2

**Production Value and Added Value by Plant,
In Constant 1987 Dollars, New Brunswick, 1977 and 1987**



Source: Louise Hébert, *Great Expectations: The Atlantic Fish Processing Sector*. Department of Fisheries and Oceans Gulf Region, July 1989.

These statistics are alarming; however, they do not really tell us anything about actual plant capacity. As plant overcapacity has been identified as THE CAUSE of the ills afflicting the fishing industry, a more detailed examination of the complexity of the overcapacity issue follows.

b) Definition of Overcapacity

Based on the many consultations it held, the Task Force does not see the real question as being whether overcapacity exists, but rather determining exactly what represents overcapacity in an industry like the fishery. Without an appropriate definition, it is impossible to design measurement criteria for assessment purposes.

Before a definition is adopted, a few warnings should be made about the many statements regarding processing plant overcapacity. A number of capacity studies are based on an

estimate of annual production capacity.⁴ As plants should theoretically operate 25 days per month, 10 months per year, it is not surprising that chronic processing overcapacity has been identified, as pointed out by fisheries economist, Doug MacDonald:

"The role of seasonality in measurements of excess capacity is critical. Some of the evidence backing the conclusion that capacity is excessive is based on a standard of year-round operations. Fish landings, particularly in the inshore, are, however, concentrated in a few months. Under-utilization of capacity due to seasonality is not an indicator of chronic excess capacity ... Studies using the year-round definition of operations are not useful in documenting the existence of chronic capacity."⁵

The fact that in New Brunswick landings are concentrated over a short period and all of the fish caught must be processed in this time frame should not be overlooked. According to MacDonald, this argument also applies within the same season, as it is well known that landings are not evenly distributed from day to day:

"Some studies have attempted to measure excess capacity just for the season in which a fishery occurs. These measurements come closer to measuring excess capacity in the sense of J.S. Bain. Since landings may fluctuate significantly within a season, studies showing the under-utilization of capacity over a season do not prove the existence of excess capacity."⁶

The constraint of concentrated, seasonal landings may well be less of a problem now that we are moving more and more into the era of micro-management. Indeed, everything seems to indicate that the Enterprise Allocation system (boat quotas) will be vital to the future resource management policy of the Department of Fisheries and Oceans. Gulf cod-fishing boats and crabbers (50'-64' fleet) are already under the EA system, and studies are under way to assess the possibility of introducing EA's for the shrimp fleet. By guaranteeing a certain volume, known in advance, enterprise allocations most certainly seem to have a stabilizing effect on the New Brunswick fishery.⁷

Lastly, the unpredictable changes that occur over time must be taken into account. For example, how can declines in fish stocks⁸ and sudden, unexpected market changes be anticipated???

⁴ For example, *Les usines de transformation de produits marins du Québec: Évaluation des capacités de transformation*. Department of Fisheries and Oceans Quebec Region, July 1986. Vol. 2. 29 p.

⁵ D. MacDonald, *An Economic Analysis of Excess Capacity in the Atlantic Fish Processing Industry*, Fisheries and Oceans Scotia-Fundy Region, December 1987, p. 39.

⁶ *Ibid.*, p. 39-40.

⁷ However, the issue of permanent quota transfers (especially interprovincially) must be examined carefully.

⁸ Events in recent months (northern cod stocks) have clearly established that our knowledge of ocean beds is fairly limited.

⁹ For example, the death of Emperor Hiro Hito in 1988 had direct repercussions on the Japanese seafood market.

Overcapacity in the fishing industry is not as obvious as it may appear at first glance. As difficult as it is to quantify physical production capacity and compare it to the available resource, consideration must also be given to the distinct features that govern this industry's activities.

According to Mr. MacDonald, overcapacity can only be defined as follows:

"Chronic excess capacity could be proven only if capacity exceeded fish supplies at their absolute peak over an extended period of time. It would have to be demonstrated that individual firms in an industry exhibited this characteristic."¹⁰

Although it is a clear reflection of the realities of the fisheries sector, this definition is still lacking. By emphasizing the supply constraint (upstream), it overlooks another constraint that is just as fundamental (although difficult to identify): the market (downstream). If we agree that the supply constraint is a fundamental problem (i.e. unavoidable), neither must we forget that the product flow constraint, although surmountable, requires adjustments that are, more often than ever before, just as painful as a decline in stocks. It is well known that the seasonal nature of the fishery makes it difficult to match market conditions. It causes bottlenecks that have several harmful consequences, including surplus production on the market, the need for extensive capacity to process all of the fish landed, and difficulty in maintaining the highest standards of quality.¹¹ We must, therefore, view overcapacity in terms of both supply and market constraints.

Taking these distinctive characteristics and scientific criteria into consideration and allowing for some statistical deficiency, it is difficult to state beyond a doubt that there is chronic overcapacity in the New Brunswick fish and seafood processing industry.

However, this should not prevent us from examining, within the limits of existing statistical data, production capacity in terms of the available resource and foreseeable market conditions.

c) Quantification

In the following pages, we focus our attention on processing activities that offer the best employment opportunities. First, we review the results of the most recent study of fish processing capacity in New Brunswick. This will allow us to present the utilization rate of this capacity and how it relates to the available resource.¹² Second, we look briefly at the product flow constraint.

¹⁰ MacDonald, *op.cit.*, p. 39-40.

¹¹ The seasonal nature of the fishery has another destabilizing effect: in view of the importance of unemployment benefits to the annual income of fishermen (over one-quarter), they must ply their trade to qualify for unemployment insurance. In several cases, this goes against market indicators, thereby aggravating the situation.

¹² Capacity data in this section are taken from: *L'étude sur les capacités d'usines de transformation du poisson du Nouveau-Brunswick, 1987*. Fisheries and Oceans Gulf Region and

Groundfish: Filleting**Supply Constraint:**

Groundfish filletting capacity for the province overall is estimated at 79,600 t. This capacity can process total groundfish landings, which, in recent years, amounted to about 20,000 t.

Based on the assumption that groundfish filletting gives a yield of 40% (i.e. one pound of fillets requires 2.5 pounds of raw material), New Brunswick firms can fillet at least 199,000 t of groundfish (10 times the volume of current landings).

The northeast has the capacity to produce 66,000 t of fillets, and the southeast, 10,400 t (for regional landings under 1,000 t). Capacity in the southwest is 2,800 t.

One characteristic of this filletting capacity is its low level of mechanization (only the northeast has automated filleters, with a capacity of 8,100 t).

Market Constraint:

Groundfish fillets are sold in two formats: blocks and frozen fillets, which are then processed (mainly in the United States) into fishsticks and other similar products. On these markets, New Brunswick processors can be considered "price takers." The volume they put on the market is much too low to have any effect whatsoever on price levels.

A few large firms (such as National Sea Products and Fishery Products International) dominate the fillet block and frozen fillet sectors. They market quantities far beyond the capabilities of our firms. Also, both the frozen fillet block and frozen fillet markets are now undergoing significant change. First, the sale of breaded products is dropping markedly in the United States because consumers are more health conscious (frying is losing popularity). In North America, per-capita consumption of fish sticks declined by 25% between 1979 and 1987.¹³ Second, the development of substitute products may consume a fairly significant share of the traditional cod market, as pointed out by the Standing Senate Committee on Fisheries:

Department of Commerce and Technology of New Brunswick, 1988. It should be noted that processing capacities are assessed in net product weight. Landing statistics are from Fisheries and Oceans unless otherwise indicated. Lastly, the capacity utilization rate is obtained by comparing capacity to regional and provincial landings and it must therefore be prorated, as it does not take into consideration supply from outside the province.

¹³ G. Daniel Caron, "Boston Seafood Show," *Entrefilets*, Vol. 10, No. 4, p. 9.

"The possibility that new species of fish will be further substituted for cod should be of grave concern to Canadian producers because of the sheer size of those stocks and the favourable economics of harvesting them. Argentine hake, for example, (also known as whiting) is found off the coasts of many countries, and their huge quantities are only beginning to be tapped. A very large groundfish resource (well over 2 million tonnes annually) is available within the United States Exclusive Economic Zone (EEZ) in the North Pacific Ocean. American domestic landings of Alaska pollock in the American 200-mile limit (the biggest single species harvested in the world) rose to about 1.4 million tonnes in 1988, or about 370,000 tonnes more than the TAC for all species on the East Coast of Canada that year."¹⁴

Diagram 3 shows the increase in Pacific coast groundfish landings from 1980 to 1989.

Diagram 3



Source: "Statspack." *Pacific Fishing Yearbook* 1990, p. 146.

Over the short term, however, New Brunswick firms can hope to benefit from the international decline in cod stocks. The sizeable reduction in the TAC for northern cod off the coast of Newfoundland (from 266,000 to 197,000 t), combined with a decrease in the cod quota in the Barents Sea (from 340,000 t to 200,000 t) and Iceland (from

¹⁴ Standing Senate Committee on Fisheries, *The Marketing of Fish in Canada: Report on the East Coast Fisheries*. The Senate of Canada, December 1989, p. 41.

340,000 t to 250,000 t),¹⁵ should create a relative shortage of cod blocks on the international market and cause prices to increase.

Snow Crab Sections

Supply Constraint:

The snow crab situation is relatively simple to analyze. Only a single species is involved, from which two products are made: sections and frozen meat. The fishing season is fairly short (11 weeks in 1987) and, furthermore, the entire fleet is concentrated in the northeastern part of the province.

In 1987, New Brunswick plants had the capacity to process 92,600 t of snow crab sections (72,900 t in the northeast and 19,600 t in the southeast). That same year, snow crab landings totalled 7,438 t. According to the legislation in effect¹⁶, no more than 70% of landings can be processed into sections, leaving a maximum of only 5,207 t available for this type of processing.

Based on the supposition that capacity is distributed evenly over the entire fishing season (11 weeks), New Brunswick plants can process an average of 8,418 t of snow crab per week. If all landings were made during a single week, plants would still have an excess capacity of approximately 3,200 t (or 43% of landings).¹⁷

The season that just ended lasted only seven weeks and landings were under 5,000 t, averaging approximately 1,000 t per week. The weekly capacity utilization rate was therefore only 12%.

Market Constraint:

The market constraint does not pose a problem for sections. The volumes marketed are so low that processors have no difficulty in finding buyers. However, the decline in snow crab stocks had an obvious impact on prices.

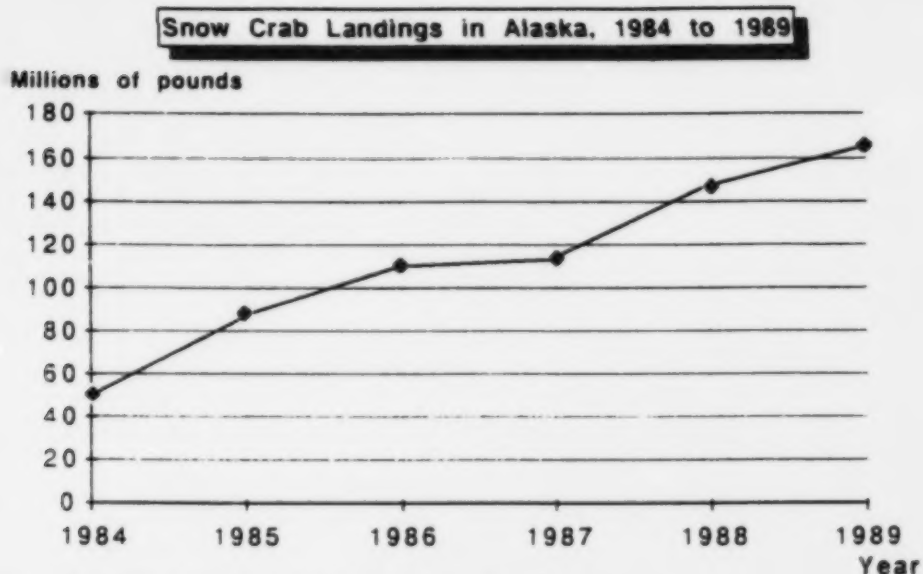
As Japanese buyers could not continue to count on a supply to meet their needs, they developed a new source of supply in Alaska. Snow crab landings in Alaska increased from 50.5 million pounds in 1984 to 165.3 million pounds in 1988. See Diagram 4. From 1987 to 1989 alone, landings rose by 51.4 million pounds. Such a growth in supply could only result in a price drop.

¹⁵ "Norway, Iceland and Canada Face: Big Arctic Cod Cuts," *Fishing News International*, Vol. 28, No. 11 (November 1989).

¹⁶ Section 5(1) of New Brunswick Regulation 88-276 under the Fish Processing Act.

¹⁷ Based on information available from the Department of Fisheries and Oceans, maximum weekly landings were 2,672 t (fourth week of fishing season, 1984).

Diagram 4



Source: "Statspack," *Pacific Fishing Yearbook* 1990, p. 133.

Crustacean shelling: Meat Lobster, Crab and Shrimp

Supply Constraint:

In 1987, annual crustacean shelling capacity in eastern New Brunswick was estimated at 171,100 t (or 570,333 t of raw material equivalent, as the yield from shelling is 30% on average), with 117,600 t (392,000 t of raw material equivalent) in the northeast and 53,500 t (178,333 t of raw material equivalent) in the southeast.

We saw earlier that snow crab landings in 1987 totalled 7,438 t. Because, by law, at least 30% of landings must be processed into frozen meat, a minimum of 2,231 t had to be used for this type of processing. This volume was processed into 669 t of crab meat.

In 1988, fishermen in eastern New Brunswick landed slightly under 6,200 t of lobster. As New Brunswick lobster processors obtain approximately 60% of their supply from outside the province (primarily from Prince Edward Island and Nova Scotia), about only 15,000 t of lobster were available in the entire region for the maximum processing amount of 4,500 t of meat.

Lastly, shrimp fishing in New Brunswick is carried out exclusively in the northeast. Landings by the 22 shrimpers ranged from 1,746 t in 1986 to 3,576 t in 1990. Shrimp is processed by two firms, which produce cooked, peeled and individually frozen shrimp.

Market Constraint:

The market constraint is felt acutely in each of the crustacean sectors. In order to capitalize on the lucrative sections market, the frozen snow crab meat industry has been neglected. It will be very difficult to win back the meat market, for two reasons: first, supply is coming increasingly from low-priced producers (China, Korea, Alaska); second, the low price on this market will result in landing prices that are too low to justify a commercial fishery (due to low quotas available at present).

Lobster and shrimp are in an even more difficult situation. After twenty years with no significant change, lobster products are on the wane. We have not paid enough attention to new product development, as pointed out by Ian Chaston, a specialist in fish marketing:

"A major error made by many companies is that insufficient attention is given to the elimination of products which are at the decline stage of their life cycle. The management attitude is one of complacency as long as the item continues to generate sales revenue in excess of the direct costs of production."¹⁸

During a workshop held at the Office of the Consulate General in Boston, attended by over thirty American buyers of lobster products, it was said that **"we will have to be more innovative and attuned to the constantly evolving market"**:

"According to these buyers, the last new product on the market was the whole frozen cooked lobster (Popsicle Pack). However, this product appeared over 15 years ago and no longer meets buyers' needs. There is no information on the packaging to instruct consumers who do not know what to do with it...

In the same vein, it was further said that **our canned products destined for the retail market** were too cumbersome. It was suggested that **the 32-ounce cans be replaced by smaller formats...**"¹⁹

Similarly, for lack of appropriate strategic planning, our industry has been unable to react to the dumping of cultivated shrimp from southeast Asia. This product has become a first class substitute for lobster (both frozen and live) on the American market in a short period of time.

In this instance, the arrival on the market of tens of thousands of tonnes of cultivated shrimp has resulted in the collapse of prices for this product. Due to a phenomenon well known to economists -cross elasticity- this drop in the price of shrimp, coupled with a guaranteed continuous supply, has not been without effect on the lobster market.

It is difficult to determine to what extent the drop in lobster prices is attributable to this substitute. Several factors may have contributed to the economic reversal of the past year (interest rates, exchange rate, economic slowdown, increased landings, etc.).

¹⁸ Ian Chaston, *Marketing in fisheries and aquaculture*, Farnham (England), Fishing News Books Ltd., 1987, p. 55.

¹⁹ *Pêche Impact*, Vol. 3, No. 5 (December 1990), p. 28.

However, it is essential to obtain an answer to this question as soon as possible. We must find out whether the current crisis is due to economic conditions or whether it is structural. In the second case, a very aggressive action plan with a high rate of participation will be required to deal with the problem.

Figure 1 details various possible strategies based on the competition facing producers.

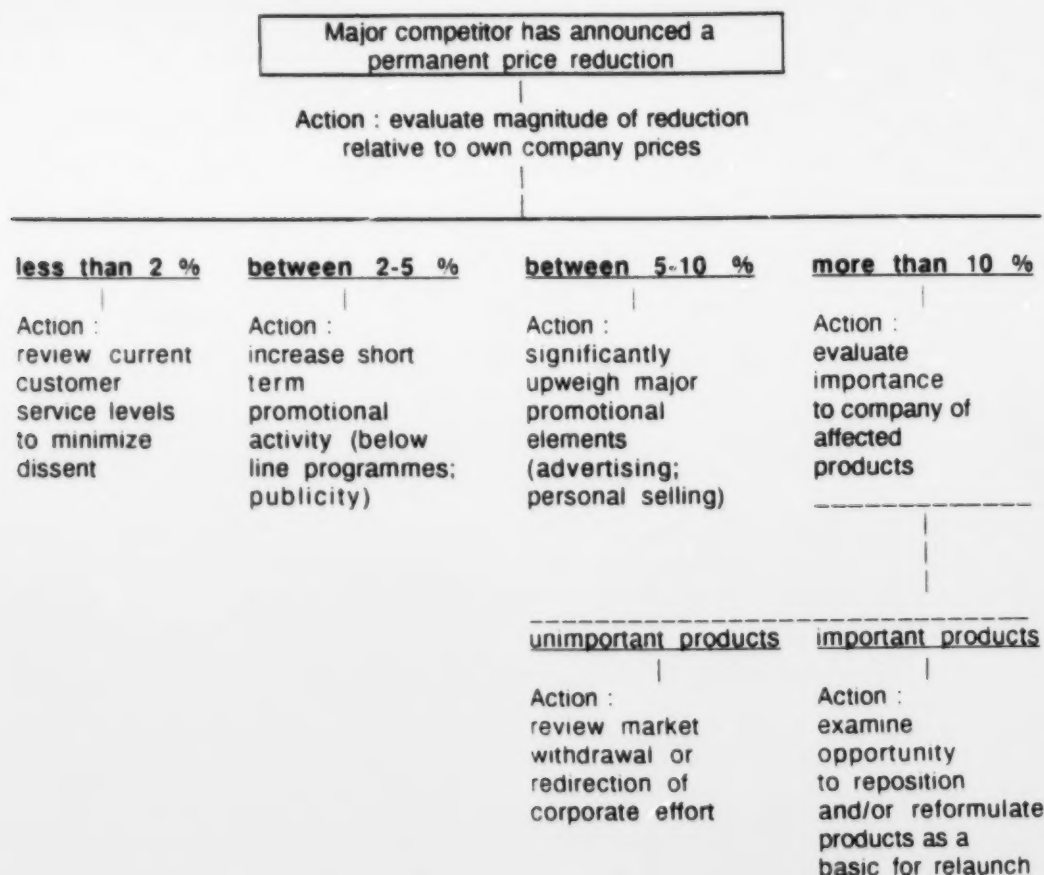
In the case of fierce competition leading to a price decrease of over 10%, the alternatives will involve the complete redefinition of the market approach:

"Extreme price competition, ie over 10%, will necessitate reviewing the potential for repositioning the affected product in order to avoid direct confrontation. This may be achieved through a revised promotional programme concentrating on a non-price oriented segment, but in many cases the product will have to be reformulated in order to meet customer need in the chosen segment."²⁰

²⁰ Chaston, *op. cit.*, p. 78 (authors' underlining).

Figure 1

Decision paths in reaction to price reduction by competition



Source : Ian Chaston, *Marketing in fisheries and aquaculture*, Farnham (England), Fishing News Books Ltd, 1987, p.79.

Pelagics

Pelagics are a particularly complex case. First, this species accounts for the most provincial landings. Second, over the years, the herring fishery has become so specialized that three separate activities have emerged: the herring roe fishery, the smoked herring fishery and the fillet fishery. Our analysis of supply and market constraints had to take this situation into account.

Supply Constraint:

Herring Roe

Plants in eastern New Brunswick stated that their herring roe production capacity was 93,483 t (56,915 in the northeast and 36,568 in the southeast). Over an eight-hour period, capacity is 426 t, with 356 t in the northeast and 70 t in the southeast. Assuming that the average yield is 6% and that 50% of landings are males, New Brunswick can process the equivalent of 14,200 t of herring in eight hours.

Three to four hundred fishermen in the northeast participate in the herring roe fishery. As we know that their vessels are limited to 20,000 lb per trip, it can be estimated that the maximum daily landings of 8,000,000 lb will yield 109 t of herring roe. Therefore, in the northeast alone, roe production capacity for an eight-hour period is three times higher than maximum landings.

Herring Fillets

The processing capacity study indicates that pelagic filleting capacity is 233,500 t (or 583,750 t of herring equivalent based on an average yield of 40%), of which 204,000 t (510,000 t of herring equivalent) are located in the province's northeast.

New Brunswick fishermen currently land 100,492 t of herring. Landings in the eastern part of the province total 48,815 t, whereas the available quotas actually used for filleting are only 20,000 t to 40,000 t.

In this context, the development of an intensive mackerel fishery might allow for greater use of this filleting capacity.

Smoked Herring

Smokehouses stated that their annual capacity was 20,242 t (17,720 t in the southeast and 2,521 t in the southwest). They operate for most of the year so there is not really any supply constraint as such. As there were four packs in 1987 and as the smokehouses operated at peak capacity, raw material requirements were approximately 5,000 t per pack.

The spring herring quota in zone 4T exceeds 20,000 t. Also, there is no lack of resource for the fall pack (from southwestern Nova Scotia) and the two winter packs (in this case, the herring comes from Chedabucto Bay, N.S.) in view of the excellent health of these herring stocks.

Market Constraint:

Herring Roe

As far as herring roe is concerned, if there is a constraint, it is market-related. The New Brunswick industry faces a monopsony, i.e. a single buyer with a monopoly on the purchase of the product. The margin of manoeuvrability of New Brunswick exporters on the Japanese market is therefore fairly limited, especially as Japan has supply sources that are both complementary and competitive.²¹

Herring Fillets

The herring fillet market is largely influenced by the availability of the resource, primarily that which is landed off the coast of Europe. The cyclical change in the market parallels fluctuations in herring stocks in the North Sea. When the stocks are in good health, it is difficult for Canadian products to gain access to the lucrative European market, in part because of the protective tariffs of the E.E.C. Any development potential resides primarily in certain highly specialized markets.

Smoked Herring

At full capacity, New Brunswick smokehouses can produce a minimum of 280,000 boxes of bloated herring per pack. In recent years, the four packs have pushed production to over one million boxes. Everything seems to indicate that demand (which comes exclusively from Haiti and the Dominican Republic) for this product amounts to approximately 650,000 boxes. Overproduction therefore exists, which explains, to a large extent, the drop in prices over the past two or three years.

Of course, some smokehouses have diversified their production and, consequently, their market. However, diversification remains very limited and is confined to a small range of products (i.e. smoked herring fillets). Diversification is unquestionably the only possible avenue for this industry. However, it must overcome many constraints, including quality and related technology, and consumers' health concerns, which are increasingly leading them away from smoked products.

²¹ GTA Fisheries Consultants, *Trois outils de développement pour l'industrie des pêches et de l'aquaculture du Nouveau-Brunswick: Les plans d'action régionaux*, Department of Fisheries and Aquaculture of New Brunswick, January 1990, p. 70-86.

1.1.2 Diversified, Quality Production

The most recognized features of the fish processing industry in New Brunswick include:

- the diversity of species processed and the high percentage of them which go to luxury markets;²²
- a higher value-added production than in other provinces in eastern Canada (including Quebec);²³
- production of a quality that compares favourably with that of all the great fishing nations.

With respect to this last point, New Brunswick processors have participated actively in the development of two innovative programs that will introduce strict quality standards.

Under the Quality Management Program (QMP), which should be implemented in April 1991, every processing plant exporting products outside the province will be responsible to have a system for monitoring the quality of its products.²⁴

Also, in order to maintain and ensure guaranteed access to American and other markets for Canadian fisheries products, the Department of Fisheries and Oceans developed, in 1989, a Good Manufacturing Practices (GMP) program in cooperation with the industry. The program aims at reducing the bacteria count in crustacean (crab, lobster, shrimp) processing plants and smokehouses. Its implementation will, however, result in higher costs, particularly for older, outdated plants.²⁵

It is currently estimated that our industry will need to make \$40 to \$60 million in new investments to meet these new standards.

²² Despite this, a major portion of our fisheries products goes to primary processing activities.

²³ See Appendix "Industry Production".

²⁴ This is a proactive program that will result in certain costs to processors:

- implementation (\$500 to \$10,000);
- hiring of enough staff to do critical point control tests.

²⁵ To this must be added the new provincial water pollution policy, which will result in additional costs to the fishing industry.

1.1.3 Financial Instability

During such troubled times and in view of the disastrous results of the past two years, it is not surprising that the financial health of our processing plants has been better. Current difficulties include a debt:equity ratio that is too high, inadequate working capital, limited access to low-rate financing, and inadequate return on investment.²⁶

Nevertheless, assessments obtained by the Task Force indicate that fewer than 8% of the 188 fish and seafood processing firms in New Brunswick could be considered as being in serious financial difficulty.²⁷

If we accept the assumption that applications for government financial assistance are a valid indicator that firms are really suffering, the New Brunswick fish and seafood processing sector is actually weathering these difficult economic times better than most other sectors.²⁸

²⁶ In the current context of high interest rates, it is possible to obtain a 15% return risk free. Firms that specialize in risk capital investment require a minimum return of 25% before getting into a financial venture. This makes it easier to understand why it is difficult to attract investment to the fishing industry even though it is most urgently needed.

²⁷ Compared to over one-third in Quebec alone. (Confidential document of the Department of Commerce and Technology of New Brunswick).

²⁸ Financial assistance is usually in the form of loan guarantees, which are, without exception, relatively low and concern only a limited number of companies. (Confidential document of the Department of Commerce and Technology of New Brunswick).

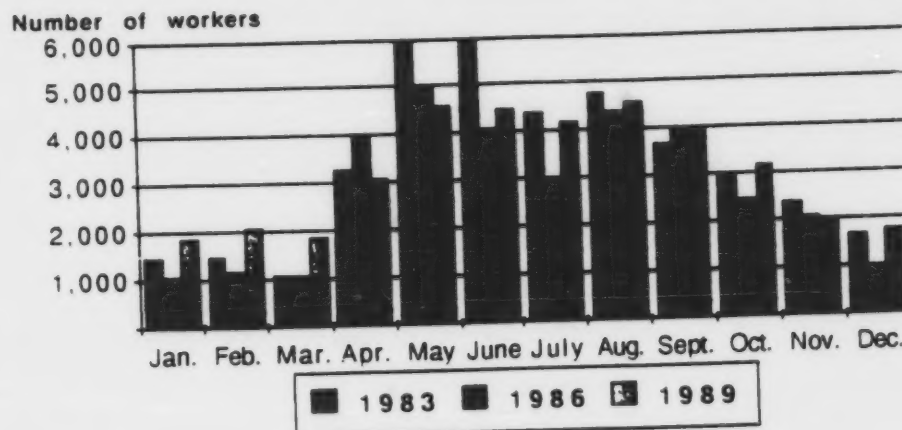
1.2 Human Resources

1.2.1 Profile²⁹

New Brunswick has approximately 7,000 fish processing plant workers.³⁰ The average number of persons employed annually was 3,283 in 1983, dropping to 2,792 in 1986 and climbing back up to 3,158 in 1989.³¹ Although the number of workers decreases during the spring and summer, it increases during the winter months (see Diagram 5).

Diagram 5

Number of Workers, Fish Processing Sector, New Brunswick, 1983 to 1989



Source: Statistics Canada. *Employment, earnings and hours*, cat. 72 002.

²⁹ We were unable to regionalize the profile of workers in New Brunswick's fish processing industry using available statistics. It must, therefore, be kept in mind that regional profiles could differ significantly from the average.

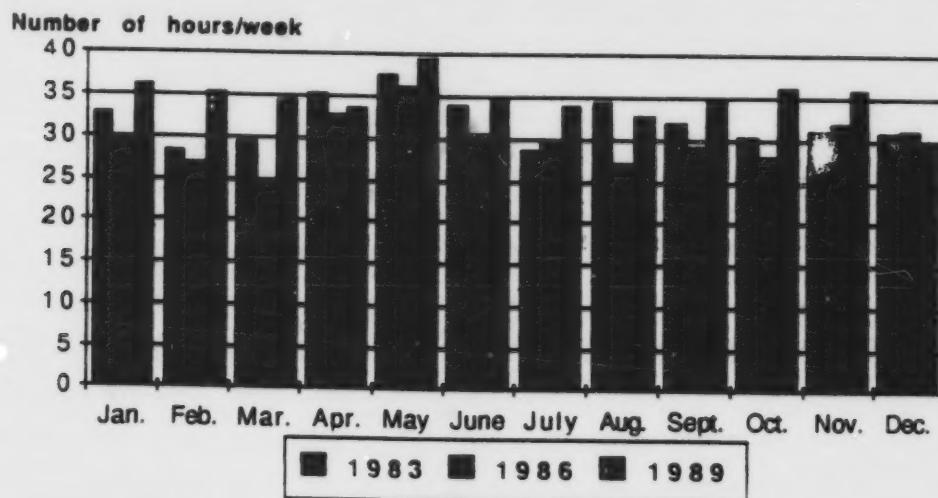
³⁰ These are person-years. To take into account the seasonal nature of work in the fisheries sector, this figure must be multiplied by 1.2 to 1.5. This means that, in 1988, the number of plant workers was somewhere between 8,400 and 10,500. Source: "The Atlantic Fishery in the 1990s: Background to Crisis," *Atlantic Report*, Vol. xxv, No. 2 (July 1990), p. 4.

³¹ These results were calculated on the basis of statistics from Statistics Canada, *Employment, earnings and hours*, cat. 72 002.

Contrary to popular perception, the average number of hours of work was higher in 1989 than in 1983, and was even higher than in 1986 (an excellent year for provincial landings). In 1983, the average work week was 32.2 hours; in 1986, it was 29.9 hours; in 1989, the weekly average of hours of work climbed to 34.9.³² Diagram 6 gives a clearer picture of the months during which hours of work change.

Diagram 6

**Number of Hours of Work per Week, Fish Processing Sector,
New Brunswick, 1983 to 1989**



Source: Statistics Canada, *Employment, earnings and hours*, cat. 72 002.

In August 1989, the average hourly wage of New Brunswick workers in the fish processing sector was \$7.98, compared to \$9.31 in the agri-food sector and \$12.46 in the manufacturing sector as a whole.³³ Not only do fish plant workers earn lower wages than workers in New Brunswick's food and manufacturing sectors, but they are also paid less than in any other processing province.³⁴ See Diagram 7.

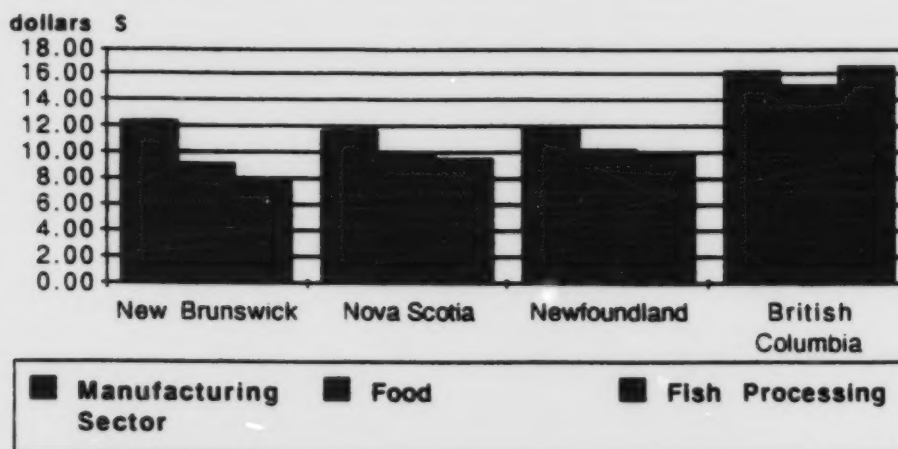
³² *Ibid.*

³³ Source: Statistics Canada, *Employment, earnings and hours*, cat. 72 002, August 1989.

³⁴ However, winter statistics show that, during this period of slower activity in New Brunswick's fish processing plants, the average wage of New Brunswick workers was slightly higher than in Newfoundland and Nova Scotia (Statistics Canada, *Employment, earnings and hours*, cat. 72 002, February 1989).

Diagram 7

Comparison of Average Hourly Wage, August 1989



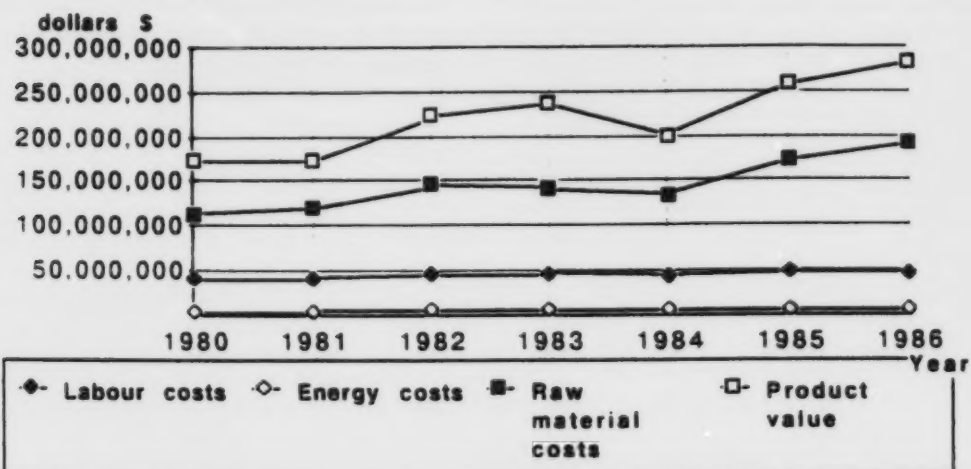
Source: Statistics Canada, *Employment, earnings and hours*, cat. 72 002, August 1989.

Between 1980 and 1986, labour costs accounted for 16% to 24% of production value, compared to 60% to 68% for raw materials.³⁵ Since 1984, the proportion of labour costs in the value of production has decreased (from 22% to 16%), contrary to the proportion of raw materials, which has increased slightly (from 67% to 68%). See Diagram 8.

³⁵ Source: Statistics Canada, *Fish Products Industry*, cat. 32 216, 32 250 B.

Diagram 8

Comparison of Main Fish Processing Production Costs with Product Values, New Brunswick, 1980 to 1986 (in constant dollars)



Source: Statistics Canada, *Fish Products Industry*, cat. 32 216, 32 250 B.

1.2.2 Importance of Unemployment Insurance Benefits

In New Brunswick, wages earned in the processing sector represent only about one-quarter of unemployment insurance income. This means that, without unemployment insurance benefits, workers could not afford to work in this sector of activity.

Thus, there is a sort of trade-off which exists between continuing to work in the sector and eligibility for unemployment insurance. However, this social contract breaks down if plants cannot guarantee workers a sufficient number of weeks of work to qualify for unemployment insurance.

The instability of landings creates situations where plants can offer only a few hours of work per week. The ensuing reduction in unemployment benefits then inevitably leads to a shortage of workers willing to occupy these positions for only a few hours.

Here, the Task Force is confronted with one of the most troubling paradoxes in the New Brunswick fishing industry. At the same time that governments are striving to develop projects to help those who have not accumulated enough weeks of work to qualify for unemployment insurance, plants are facing labour shortages!!! This situation illustrates that the social safety net is poorly adjusted to the needs of a seasonal industry.

It should also be noted that some individuals and groups with whom we met believe that a few employers are abusing the desperate situation of workers who want to qualify for unemployment insurance at any cost. The majority (both labour and management) who abide by the rules of the game are in effect subject to unfair competition by the few who abuse the system.

1.2.3 Entry with No or Almost No Barriers

An interesting characteristic of the fishing industry is the lack of barriers to worker entry. However, once in the industry, workers have access to various special programs created by governments³⁶ to compensate for not working enough weeks to qualify for unemployment insurance. Of course, this unrestricted entry of workers exerts upward pressure on the labour supply, which helps to keep salaries low and does not promote better working conditions.³⁷

³⁶ It must be pointed out, however, that to qualify for programs managed by Canada Employment Centres, a person must provide proof that he or she has been a fish processing plant worker since at least 1987.

³⁷ This should not be seen as contradicting what we said earlier in point 1.2.2. Attitudes to ensure "good" unemployment benefits create paradoxical situations that create an artificial labour shortage, whereas, in actual fact, supply is higher than the demand for workers. Similarly, the lack of any entry barrier is not the only factor that exerts downward pressure on salaries. Consideration must be given to the lack of alternatives, which literally locks workers into the fisheries sector.



2. OBJECTIVE 2000

The primary objective of the Task Force is to propose to the Minister of Fisheries and Aquaculture of New Brunswick an appropriate strategy to set the province's fishing industry on course to a better future.

Over the years, the fisheries sector has undergone several changes. As many were brought about without concern for stability, the industry may well capsize on the stormy seas ahead. The first step must therefore be to re-establish an equilibrium within the industry so that it better balances the needs of the available resource and markets.

A change of direction is required but, first, the industry must be stabilized, because an abrupt change of course in an unstable ship can only lead to disaster. Not until such structural work has been done can medium-term measures yield results. The Task Force has identified three mainstays of a New Brunswick fisheries development policy: **MARKETING, QUALITY and TRAINING.**

In short, if the New Brunswick fishing industry wants to move successfully into the 21st century, it will have to decide to invest at the product level (research and development), at the consumer level, and, most importantly, in human resources. However, for its investments to generate REAL benefits for the industry, extensive rationalization must take place first.

It is essential that the industry make the commitment to assume its major responsibilities in this regard. If the necessary changes are to take place quickly and calmly, the willingness of processors to participate must not only be expressed verbally but must result in actual change in their operating methods.

Obviously, a spirit of partnership must develop between the industry and government, just as government must give a clear indication of its willingness to intervene where necessary. It is up to government, especially the Department of Fisheries and Aquaculture, to assume a leadership role with respect to the programs in which the various industry partners will be invited to take part. Strict enforcement of existing regulations, better inter-departmental coordination of currently available financial resources, and redirection of some budget items as suggested by the Task Force are all examples of actions the government could take to demonstrate its determination to solve the problems in the New Brunswick fish and seafood processing industry.

This chapter describes the main problems underlying the "rational" development of the New Brunswick processing industry, the stakes involved, and the Task Force's recommendations. With the exception of a few details, the general approach set out by the Task Force was largely accepted by participants at consultation sessions held in each of the province's three coastal regions.

2.1 Rationalization: Revitalizing the Industry

In popular parlance, rationalization has a pejorative connotation synonymous with reduction, cutbacks, decreases, and so forth. However, the act of rationalizing means nothing more than "to make a production or industry more efficient and less costly".³⁸ The Task Force designed its mandate with this definition in mind and used it as a starting point for the development of its recommendations on the rationalization of New Brunswick fish and seafood processing plants.

Of course, the increase in the number of processing plants during the 1980's³⁹ largely explains the crisis of last spring, which led to the appointment of this Task Force on the Rationalization of Fish Processing in New Brunswick. However, starting from the principle that it is pointless to focus on the visible effects of a problem without dealing with the cause, the Task Force decided to identify why such an irrational increase in processing plants occurred and to suggest solutions to avoid further increases.

After first looking at how processing licences were issued, the Task Force discovered that the licensing process and guidelines were not sufficiently clear or understood by the industry. This explains people's impression that the process is subject to political interference AND NOT related to the principles of rationalization.

Although licensing guidelines are fairly flexible, there is nothing to suggest to the members of the Task Force that the Department of Fisheries and Aquaculture, (responsible under the Fish Processing Act for the issuance of processing licences), is not carrying out this duty properly. However, we are of the opinion that additional mechanisms would make the licensing process more objective and clear.

The Task Force believes that the Department of Fisheries and Aquaculture SHOULD CREATE AN ADMINISTRATIVE BOARD, with requisite autonomy and independence, in charge of licensing and of framing the rules that apply to those concerned.

Whereas Section 4 of the Fish Processing Act now gives the Registrar of the Department of Fisheries and Aquaculture of New Brunswick the power to issue processing licences;

Whereas the criteria for issuing licences, as set out in the New Brunswick Fish Processing Act, are poorly understood by most industry participants;

Whereas there is no formal mechanism for current industry participants or the general public to express their points of view about the issuance of new licences;

Whereas in the past some licences have been issued on an ad hoc basis with undesirable effects on other industry participants;

³⁸ Definition from *Websters Dictionary of the English Language*.

³⁹ Refer to Diagram 1, p. 5.

Whereas processors should play a more active role in the development of the industry;

Whereas the development of currently under-utilized species would offer new processing opportunities;

Whereas, before a licence is issued, consideration ought to be given to the availability of raw materials, the regional presence of other processors with licences for the same fisheries resource, and the level of available employment;

Whereas a moratorium on the issuance of new licences would provide only a temporary solution;

RECOMMENDATION 1

The Task Force recommends that the Fish Processing Act be modified such that the functions presently assigned to the Registrar be assumed by a Public Interest Committee⁴⁰ which would have the mandate:

1. to issue fish processing licences;
2. to evaluate all requests for new fish processing licences; and,
3. to make changes to existing licences.

The Public Interest Committee must publish every request for a fish processing licence and, if it judges necessary, must hold hearings. This is to ensure greater transparency of the process for issuing fish processing permits.

RECOMMENDATION 2

The Task Force recommends that the Public Interest Committee be composed of three members appointed by the Minister of Fisheries and Aquaculture for a period of 2 years: the Registrar who shall be chairperson; a member representing the fish and seafood sector; one other member.

⁴⁰ Suggested amendments to the Act implied by the appointment of a Public Interest Committee are appended hereto.

RECOMMENDATION 3

The Task Force recommends that the first task of the Public Interest Committee be to prepare a detailed list of the criteria to be maintained and used to evaluate every request for a fish processing licence. Requests would include:

- licence renewals
- changes to existing facilities
- new licences
- changes in ownership

RECOMMENDATION 4

The Task Force recommends that the Public Interest Committee must justify in writing the reasons which lead to rejecting or to accepting a request for a fish processing licence. This written reply must be conveyed to the applicants within 30 days of receipt by the Public Interest Committee of the request for the fish processing licence.

Whereas section 7 of the Fish Processing Act recognizes that an applicant or licensee who is dissatisfied with the decision of the Registrar may appeal to the Minister;

Whereas the Minister, under New Brunswick Regulation 88-276 under the Fish Processing Act, may request the Fisheries Development Board to consider the appeal and make a recommendation to the Minister;

Whereas the Minister may consider the appeal personally;

Whereas processors are not represented on the Fisheries Development Board and the Board has no other mandate with respect to processing plants;

RECOMMENDATION 5

The Task Force recommends the creation of an Arbitration Board whose mandate is to consider every appeal to decisions made by the Public Interest Committee and to make recommendations to the Minister of Fisheries and Aquaculture regarding every appeal. It goes without saying that Section 7 of the New Brunswick Fish Processing Act as well as Section 6 of Regulation 88-276 of that Act must be modified accordingly.⁴¹

⁴¹ See Appendix for proposed amendments to the Act and Regulation 88-276.

The Arbitration Board shall be completely free to determine the implementation methods which relate to the appeal.

RECOMMENDATION 6

The Task Force recommends that the Arbitration Board be composed of three persons who are appointed by the New Brunswick Minister of Fisheries and Aquaculture who are completely independent of the fishing industry.

The chairperson must be a lawyer.

RECOMMENDATION 7

The Task Force recommends that the operating costs of the Public Interest Committee and the Arbitration Board be funded directly from processing licence fees collected annually.

Everyone knows of the difficulties that arose last spring concerning the reopening of processing plants that had previously been placed in receivership. In order to address the legitimate concerns of all those involved, the Task Force took a serious look at this matter.

Whereas unused licences that remain in effect are a potentially destabilizing force for the industry;

Whereas an unlicensed fish processing plant loses all of its market value;

Whereas inactive licences provide a unique opportunity to reduce the number of fish processing firms;

Whereas the automatic cancellation of the licence of a firm placed in receivership provides creditors with no opportunity to liquidate some or all assets, which increases significantly the risk to financial institutions;

Whereas plants closed for over two years have generally lost most of their market value;

RECOMMENDATION 8

The Task Force recommends that each processing enterprise that has been closed for a minimum of two years be evaluated by the Public Interest Committee, in consultation with any financial institution involved, to determine the status of its fish processing licence.

RECOMMENDATION 9

The Task Force recommends that the Public Interest Committee, in cooperation with any concerned lending agencies, automatically conduct an evaluation of the status of a fish processing enterprise whose production level during two years does not exceed ten percent of the average production for the two preceding years.

The Task Force believes that government financial assistance should be provided in the spirit of rationalization and given to existing plants for the following reasons only:

- short-term financial difficulties, which do not jeopardize the financial stability of the firm;
- restructuring/rationalization program;
- modernization program.

Whereas the most common type of financial assistance is loan guarantees;

Whereas this type of financial assistance quickly becomes a crutch to those who receive it and may quickly lead to the firm's undercapitalization;

Whereas financial institutions also tend to require such guarantees to maintain their financial support;

RECOMMENDATION 10

The Task Force recommends that the Department of Commerce and Technology favour financing by means of loan guarantees in the case of short term financial difficulties and, with few exceptions, that the loan period not exceed two years.

The Task Force considers the provision of financial assistance to reopen a plant or to prolong artificially the life of a firm as being unfair to other plants and a hindrance to rationalization. The Task Force recognizes, however, that under certain special circumstances, such as in the case of a plant deemed strategically important⁴², the government may have no other choice but to assist that firm. Therefore:

⁴² A firm may be considered strategic for purely financial reasons (not giving it assistance would cause greater direct financial loss to the government), for socio-economic reasons (the firm is the only employer in the region, etc.) or because it is an integral part of the development plan of the Department of Fisheries and Aquaculture.

RECOMMENDATION 11

The Task Force recommends that, except in the cases of strategic plants, rationalization or modernization, the Government of New Brunswick not provide financial assistance to any processor which would allow it to reopen or prevent it from closing.

Any reopening involving government funds must have the prior approval of the Public Interest Committee.

Recommendations 1 to 11 are an insurance policy to guarantee the rationalization of the granting and cancellation of licences. To further speed up the reduction in the number of processing firms, the Task Force believes that inducements to form new groupings of companies is the best approach to follow. Groups have a powerful consolidating effect on the industry.

Whereas several New Brunswick plants have already expressed their willingness to shut down;

Whereas some sectors are particularly threatened by the changes the industry will undergo over the next few years;

Whereas it is in the interest of the Department of Fisheries and Aquaculture of New Brunswick to consolidate the vital sectors of its fishing industry;

RECOMMENDATION 12

The Task Force recommends that, within the framework of existing programs, the provincial departments of Fisheries and Aquaculture and of Commerce and Technology along with the federal departments of Fisheries and Oceans and the Atlantic Canada Opportunities Agency work together and coordinate the establishment of a fund for restructuring and rationalization.

The fund would provide loans and loan guarantees to enterprises wishing to implement a strategy for restructuring or rationalization.

RECOMMENDATION 13

The Task Force recommends that the New Brunswick Department of Commerce and Technology, with the participation of the New Brunswick Department of Fisheries and Aquaculture, proceed with an accounting assessment of the financial health of each of the processing plants in the province in order to determine the level of funds required for restructuring and rationalization.

Companies which do not participate in this exercise would be subject to the condition of Recommendation 15.

RECOMMENDATION 14

The Task Force recommends that the Government of New Brunswick cost share (percentage to be determined) with industry in developing proposals for assisting groups of plants to restructure and in sectoral studies on rationalization.⁴³

Whereas the success of any rationalization exercise depends on its being carried out voluntarily;

Whereas, however, the rationalization of a sector or region is possible only through the development of a collective conscience by the various participants;

Whereas the Department of Fisheries and Aquaculture of New Brunswick, possessing limited financial resources, will look to economize as much as possible;

RECOMMENDATION 15

The Task Force recommends that the participation in the sectoral studies on rationalization be voluntary but that no financial assistance of any kind be provided to plants which do not participate in such studies.

RECOMMENDATION 16

The Task Force recommends that any plant which shuts down due to a restructuring or rationalization exercise be subject to Recommendations 8 and 9.

⁴³ Refer to Appendix 6 for an example of sectoral restructuring/rationalization in Quebec: the "salted/dried" industry.

The Ministère de l'Agriculture, des Pêcheries et de l'Alimentation du Québec (MAPAQ) will inject \$50 million into its rationalization plan over the next five years.⁴⁴ In addition to this \$50 million for restructuring and rationalization provided by the province, the Quebec fishing industry will also benefit from the creation of a five-year federal program aimed at revitalizing the Quebec fisheries. A \$53 million program funded entirely by the federal government was announced last August by the Minister of Fisheries and Oceans, Hon. Bernard Valcourt; the Minister of Industry, Science and Technology, Hon. Benoit Bouchard; and the Minister of State (Employment, Immigration and Seniors), Hon. Monique Vézina.

There are five parts to the program:

1. Marketing of fish products: \$5 million
2. Rationalization of the processing sector: \$5 million
3. Restructuring and diversification of the fleet: \$18 million
4. Labour adjustment and diversification: \$8 million
5. Research and infrastructures: \$13 million⁴⁵

According to Mr. Valcourt, this program completes the MAPAQ's rationalization plan. Mr. Bouchard stated that the efforts of the two governments would ensure the long-term viability of the Quebec fishing industry and promote development in regions where this sector of activity is most prevalent.⁴⁶

The governments of Quebec and Canada will therefore be investing over \$100 million in the Quebec fisheries sector alone over the next five years. This is a considerable amount of money considering that the Quebec fishing industry has only one-third the number of processing plants and workers that New Brunswick has, that total landings in New Brunswick, by volume and value, are double those in Quebec, and that New Brunswick has 1,000 more registered fishermen than Quebec.⁴⁷

These very significant federal and provincial investments in our neighbouring province give some idea of the extent of the task to be accomplished, because they demonstrate the urgency of acting quickly in New Brunswick before other provinces become better organized and more competitive.

Whereas the federal government has recently awarded Quebec a fisheries revitalization program worth \$53 million, which is complementary to provincial rationalization efforts:

⁴⁴ Of this amount, \$23 million will go directly to primary processing plants for restructuring, rationalization and diversification; \$10.6 million, to the fleet; \$9.8 million, to aquaculture; \$3.2 million, to the development of secondary and tertiary processing in the regions; and \$3.4 million will be directed to the marketing of marine products. Source: *Pêche Impact*, Vol. 3, No. 2 (Spring 1990), p. 9.

⁴⁵ Four million dollars were set aside for the implementation of the program. For the particulars of this program, see *Pêche Impact*, Vol. 3, No. 4 (September/October 1990), p.25.

⁴⁶ *Ibid.*

⁴⁷ *Facts on the Atlantic Fishery*, Department of Fisheries and Oceans Canada, 1989, p.3.

Whereas the difficulties facing the New Brunswick fishery are just as significant and obvious as those north of the border;

Whereas the Department of Fisheries and Aquaculture of New Brunswick is developing its own rationalization plan;

RECOMMENDATION 17

The Task Force recommends that the federal government, through the Departments of Fisheries and Oceans, Industry, Science and Technology and Employment and Immigration, and in concert with the appropriate New Brunswick departments, establish a specific program for the revitalization of the New Brunswick fisheries.

If there is one area where some rationalization is absolutely essential, it is unemployment insurance. This study has strongly demonstrated to us the distortions that occur when a program is ill suited to the needs of a seasonal industry like the fishery.

Whereas the existing rules for the unemployment insurance program are not suited to the requirements of seasonal industries;

Whereas the establishment of "special projects" creates both labour shortages and surpluses;

Whereas several indicators have shown that the UI rules are not applied uniformly across all plants;

Whereas unemployment insurance is the greatest source of plant worker income;

RECOMMENDATION 18

The Task Force recommends that the provincial Minister of Fisheries and Aquaculture and his federal counterpart work in collaboration with the New Brunswick Minister of Labour and the federal Minister of Employment and Immigration to establish rules for unemployment insurance which take into account the particular character of the New Brunswick fishing industry while respecting the needs of both plant workers and plant employers.

RECOMMENDATION 19

The Task Force recommends that a summit meeting be held between the personnel from the federal Department of Employment and Immigration and the personnel of the provincial Department of Labour to coordinate the planning and implementation of services within the framework of existing job creation programs.

Adjusting the unemployment insurance program to the particular needs of the fishing industry should solve some problems. The Task Force finds it absurd, given the seasonal nature of the fisheries sector, that the Department of Employment and Immigration has not changed the rules to allow the accumulation of hours under a system that would benefit both workers and processors without undermining the unemployment insurance principle (accumulation could be at the end of the fishing season, divided by a factor representing average hours per week to produce the number of weeks of work for UI purposes).

Through such action, the department would give processing plants the flexibility they need to optimize operations limited by the seasonal nature of the work. Also, such a decision would benefit workers because they would be able to get credit for all of their hours of work, no matter when they were accumulated.

Rationalizing the unemployment insurance program is most certainly the cornerstone for the development of a policy to improve wages and working conditions in the fishing industry without affecting the viability of the processing sector.

As we saw in the first section, the lack of any barrier to the entry of workers exerts pressure on labour supply. It is therefore obvious that a mechanism to better regulate the flow of labour could end the vicious circle of chronic labour surplus in the fishing industry.

Whereas the lack of any barrier to the entry of workers contributes to a chronic labour surplus in the New Brunswick fishing industry;

Whereas this labour surplus exerts negative pressure on the wages and working conditions of processing workers;

Whereas this pressure on labour supply means that the skills and expertise developed over the years by fish plant workers receive little recognition;

Whereas, the Task Force has recommended changes in unemployment insurance programs, the implementation of which is considered to be a precondition;

RECOMMENDATION 20

The Task Force recommends that, starting in 1992, any person who works in fish and seafood processing be obliged to hold a Fish Processing Skills Certificate.

RECOMMENDATION 21

The Task Force recommends that plant workers who have worked for at least six weeks in fish processing in New Brunswick during the last three years automatically receive a Fish Processing Skills Certificate.

RECOMMENDATION 22

The Task Force recommends that the Fish Processing Skills Certificate only be granted to those persons who have successfully completed a training program to be developed by the New Brunswick School of Fisheries and Aquaculture using funds available from the training programs of the Department of Employment and Immigration.

RECOMMENDATION 23

The Task Force recommends that workers who receive a Fish Processing Skills Certificate under Recommendation 21 should complete the required training program within five years.

With these recommendations, the Task Force is targeting three objectives. The first is to erect a barrier to entry into the industry, which can be surmounted by demonstrating real interest in the fish processing sector. The Fish Processing Skills Certificate recognizes the distinct character of work in this sector and the level of qualification required for such work. By creating a class of "recognized" workers, it "professionalizes" and reaffirms the value of fish processing work, which can only benefit those who have worked in that sector for many years without the recognition they deserve. Second, over five years, the limiting effect such a certificate would have on the number of workers will complement plant rationalization efforts and improve significantly the wages and working conditions of fish plant workers. Third, because of its effect on the level of quality and the good image of New Brunswick fish products, the Fish Processing Skills Certificate will contribute greatly to promotional activities.

Whereas the Fish Processing Skills Certificate is recommended to improve wages and working conditions for New Brunswick fish plant workers;

Whereas the Fish Processing Skills Certificate provides objective recognition of the professionalism of New Brunswick fish plant workers;

RECOMMENDATION 24

The Task Force recommends that a study of fish plant worker wage levels be done in five years in order to determine the impact of the Fish Processing Skills Certificate.

RECOMMENDATION 25

If the study shows that the plant worker wage levels stayed relatively the same or went down, the Task Force recommends that the New Brunswick Government decree a minimum wage for fish plant workers equal to 150% of the provincial minimum wage.

These measures will not, however, provide an immediate solution to the chronic labour surplus problems found primarily in eastern New Brunswick.

Whereas the Departments of Labour and Employment and Immigration estimate that there is an industry surplus of between 1,000 and 1,500 workers;

Whereas fish plant workers aged 55 and over account for 5% to 10% of the sector's labour force;

Whereas the Adjustment Program addresses workers over the age of 55 who lose their jobs following plant shutdowns;

Whereas the series of measures announced last spring by the federal Department of Fisheries and Oceans includes an assistance program for fish plant workers in Newfoundland and Nova Scotia affected by plant closures caused by the decline in fisheries resources;

RECOMMENDATION 26

The Task Force recommends that the province undertake, as rapidly as possible, discussions with the federal government to implement an adjustment program to help older fish plant workers retire from the fish processing industry.

RECOMMENDATION 27

Such an adjustment program should allow an older New Brunswick fish plant worker to retire from the labour market and to receive, until age 65, an indexed pension equal to 70% of his or her unemployment benefits at the time of retirement.

The Task Force could not reach any conclusion on the rationalization of the fish processing sector without first looking at landings. Of course, as we have noted several times, our terms of reference did not include examining the issue of rationalizing the New Brunswick fishing fleet. Still, any rationalization effort in the processing sector will depend on the stability of landings and the assurance that adequate supply will be available in the years to come.

We have already drawn the reader's attention to the Enterprise Allocation system (commonly called boat quotas), introduced recently. We mentioned both its stabilizing effect and its destabilizing potential. Everything seems to indicate that the era of micro-management (to borrow an expression from Gastien Godin, the secretary general of the Association des pêcheurs acadiens) is something that must be recognized. This is noted in *Canada's Green Plan*, recently announced by the federal Department of the Environment:

"Ocean fish stocks have generally been viewed as "common property" available to anyone who wishes to catch them. This view is largely responsible for the "race for fish" that results in much of the overcapacity in the fisheries industry. The Government believes that creating a transferable entitlement to a specific share of the fish harvest would promote more rational investment decisions and reduce pressures on the fishery.

The federal government continues by saying:

...Individual Transferable Quotas (ITQs) take the approach one step further by allowing transfers among licence holders. This provides greater flexibility and promotes more efficient utilization of fishing capacity ... Accordingly, in consultation with the fishing industry and the provinces, the Government will put in place a system of Individual Transferable Quotas (ITQs) for various fisheries."⁴⁸

This recommendation leaves no doubt as to the will of the federal government.

Whereas the Government of Canada is giving serious consideration to the possibility of putting in place a system of Individual Transferable Quotas for several species of fish;

Whereas ITQs could be transferred from one region to another within the same province;

Whereas ITQs could be transferred from one province to another;

⁴⁸ *Canada's Green Plan*, Supply and Services, 1990, p. 76.

Whereas such transfers would have a destabilizing effect on New Brunswick processors and their employees;

RECOMMENDATION 28

The Task Force recommends the immediate creation of a provincial working group to study the whole question of individual transferable fish stock quotas and to recommend an appropriate policy in this regard to the provincial Department of Fisheries and Aquaculture.

Similarly, the Task Force finds the existing policy outdated and unfair as it prevents processing firms from acquiring fishing vessels under 65 feet in length overall. However, owners of fishing units are entirely free to purchase processing plants. Some of them have already integrated their fishing and processing operations. We believe that if vertical integration has a stabilizing influence and is thus a rational exercise, then the current situation provides unfair competition for those who do not enjoy the same privilege.

Whereas fishermen may buy fish processing plants;

Whereas holders of processing licences do not share this privilege;

Whereas this situation is unfair and puts firms that do not own fishing vessels in a situation of extreme competition for the remaining independent fishing units;

Whereas this situation is dependent on legislation under the full jurisdiction of the federal government;

Whereas precedents were created when the Atlantic fishery was restructured;

Whereas, if combined with ITQs, the possibility of buying fishing vessels would provide processors with guaranteed quotas;

RECOMMENDATION 29

The Task Force recommends that the Government of New Brunswick take steps immediately to approach the other Atlantic provinces and the Department of Fisheries and Oceans in order to amend the federal act to permit fish and seafood processors to buy fishing vessels which are less than 65 feet in length overall and which are under an individual transferable fish quota regime.

Finally, and this concludes our recommendations with respect to fishermen, the Task Force is fully aware of the limitations of a rationalization exercise that concerns only the processing sector. The difficult situation facing fishermen and the complexity of the entire issue of landings⁴⁹ has led the Task Force to make one last recommendation which, we hope, will receive the attention of the federal government.

Whereas landings are the first link in the fishing industry chain;

Whereas the entire issue of landings is under federal jurisdiction;

Whereas the changes set out and announced in the *Canada's Green Plan* concerning "more sustainable practices in its fisheries management, using innovative approaches such as more selective, less environmentally damaging gear"⁵⁰;

Whereas the income of many fishermen has dropped drastically over the past two years;

Whereas this situation limits the investment capability of fishermen, thereby hindering the development of new fishing activities;

Whereas fishermen depend on income from unemployment insurance benefits;

Whereas federal public finances are in poor health;

Whereas the federal government no longer contributes to the unemployment insurance fund and its withdrawal leaves many unanswered questions about the fate of fishermen's benefits, which were, until the recent reform, covered entirely by the federal government;

⁴⁹ The number of fishermen in Atlantic Canada, their location in five provinces, the different categories of fishing vessels and gear, and federal jurisdiction are all issues and obstacles that will require logistics and a budget well beyond our means.

⁵⁰ *Canada's Green Plan*, Supply and Services, 1990, p. 77.

RECOMMENDATION 30

The Task Force recommends that the federal government, with the help of the provinces, organize and finance a major study on the socio-economic situation of fishermen. The study should be conducted by a working group from each of the fishing regions of the Atlantic provinces. The working group should also be composed of representatives from the principal fishermen's associations. Fishermen representatives should choose their own chairperson. As well, the working group should have federal and provincial civil servants and fish processors. The mandate of the working group should be to examine current federal and provincial programs as they relate to fishing activity with the view of improving the viability of the industry in its entirety.⁵¹

The initiatives described above address many of the problems of our processing industry which basically concentrates on primary processing. We also addressed the question of whether further processing of our resources would solve some of the industry's problems.

The Task Force would like to dispel the firmly rooted belief that further processing would solve all the problems in the New Brunswick fishing industry.

Although, in theory, producing cooked, ready-to-cook and ready-to-eat dishes seems to be the miracle solution to all of our problems, the reality is quite different. The conditions that must be satisfied to compete in this segment of the food market are such that it would be wishful thinking to imagine that any significant inroads could be made over the next few years. From a strictly technical point of view, our plants were not designed for this type of production and the adjustment of present infrastructure (when possible) would cost millions of dollars. Also, in these markets dominated by agri-food giants, profit margins are so low that the small volumes we would be likely to produce could not guarantee profitable investment.⁵² This means that the only alternative would be a strategic alliance with a multi-national already well established in the sector. This would not be possible unless certain conditions were met regarding the secure supply of raw materials at competitive prices.

The Task Force therefore has concluded that, if New Brunswick plans to develop a high value-added sector in its fish processing industry, it must first rationalize its primary processing activities. This does not mean that research and efforts to increase the value added to fish products should be ignored. To the contrary, such efforts must be stepped up. However, they will not yield results unless they are well coordinated.

⁵¹ At the time of writing, the Task Force learned of a tripartite Quebec/Canada/Alliance des pêcheurs project worth \$345,000 (under the subsidiary agreement on Quebec fisheries development) intended to finance an extensive dialogue in which coastal fishermen would be invited to participate. Of this amount, \$165,000 will be awarded to the Alliance des pêcheurs commerciaux du Québec to organize consultations and prepare a plan of action for the future of the Quebec coastal fishery.

⁵² On this subject, refer to the excellent Aqua-Pac report, *New Product Opportunities Study for Island Fishermen Cooperative Association Limited*, June 1990.

Whereas the food market is highly concentrated and composed of a few giants;

Whereas only 1% of new product ideas in the industry get beyond the laboratory development stage and onto the market;⁵³

Whereas only 20% of new products survive longer than one year;⁵⁴

Whereas high costs are associated with research and development;

Whereas there are several research and development centres with at least one agri-food component in New Brunswick, the Maritimes and elsewhere in Canada;

Whereas these research and development centres have limited budgets;

Whereas they are competing with each other for available public and private funds more than ever before;

RECOMMENDATION 31

The Task Force recommends that the New Brunswick Department of Fisheries and Aquaculture develop a research and development policy for fisheries and aquaculture in New Brunswick. The policy should establish an appropriate operating framework for coordinating the different research and development organizations such that available funds are used for the maximum benefit of the industry.

⁵³ *Pêche Impact*, Vol. 3, No. 5 (December 1990), p. 25.

⁵⁴ *Ibid.*

2.2 Marketing⁵⁵: Finding the Consumer

As far as primary products are concerned, firms consider the market price as a "given" (they are price takers).⁵⁶ Their production cost structure must therefore be fairly flexible so that adjustments can be made quickly and their profit margin maintained. Problems arise when a shrinking market requires so much flexibility that the viability of the entire industry is jeopardized.⁵⁷

The fishing industry, composed mainly of small firms that manufacture primary processing products, is especially vulnerable to market fluctuations. The question that arises is: which mechanisms would allow our firms to be more proactive with respect to the market?

Strategic marketing alliances are a possible solution. It should be mentioned that initiatives in this direction (emanating from processors themselves) are already under way. Alliances can develop in at least two directions: marketing groups⁵⁸ and joint promotional associations.

There is no question that marketing alliances have a stabilizing effect and promote the competitiveness of future partners:

1. Supply Groups

Because of the volume generated, members may benefit from discounts or the group may even be able to exercise some disciplinary control over the market under certain conditions.

⁵⁵ By marketing, we are referring to the well-known notion of "the 4 P's," i.e. the four variables that are controlled by the firm and likely to improve substantially its financial results:

- the Product itself and supporting research and development activities;
- Price and the factors that determine it (existence of substitutes, categories of consumers, etc.);
- Promotional activities;
- location of sales Points.

⁵⁶ The sale of fresh products is an exception to this rule.

⁵⁷ The 1989 and 1990 lobster fishing seasons are a telling example of this. In order to adjust to a shrinking market, processors (whose financial health was first affected because they did not adjust quickly enough to market conditions) had to offer fishermen prices that did not ensure the viability of this activity. See *Profilé [sic] de l'industrie du homard et revue de la situation dans le sud du Golfe*, Department of Fisheries and Oceans Gulf Region, May 1990.

⁵⁸ It is interesting to note that many firms that have already opted for this approach have fared well in difficult situations.

2. Competitive Advantages

A strategic alliance allows members to concentrate all of their time, energy and money on ensuring that production is of the highest quality, leaving marketing tasks to the group.

3. Economics of Scale

Any group provides its members with significant savings on inputs and outputs. Very often, these savings alone justify the initial investment required to become a partner in a strategic alliance.⁵⁹

Of course, one of the pluses of marketing alliances, namely less short-term pressure⁶⁰, might also become their Achilles heel. The challenge facing such alliances is not to get too complacent, thereby re-creating on a larger scale the disadvantages of individual firms.⁶¹

Whereas several processors have considered setting up marketing consortiums to improve the marketing of their products:

Whereas this marketing formula has proved effective for other New Brunswick fish and seafood processors:

Whereas initiatives must come from the firms themselves and involve a sufficient number to ensure that a significant contribution is made to stabilizing the industry;

RECOMMENDATION 32

The Task Force recommends that the New Brunswick Department of Fisheries and Aquaculture do everything possible to encourage and facilitate the formation of marketing groups.

In the short term, government involvement should be limited to participation in the financing of feasibility studies.

⁵⁹ Savings come from group purchases, a considerable reduction in interest charges on lines of credit and short-term financing, or the elimination, pure and simple, of bad debts.

⁶⁰ It is customary for firms in need of liquid assets to make business decisions that worsen the general market situation. A marketing group avoids this by advancing sufficient funds to cover current operating costs.

⁶¹ A research and development component must be added to the list of responsibilities of such organizations. Groups must also be able to transmit market signals to each of their members so they can base their production plan on an overall marketing plan; at the same time, each member must be held accountable for its actions.

Later, the New Brunswick Department of Fisheries and Aquaculture, together with the Department of Commerce and Technology, should define a policy of financial support for these marketing groups.⁶²

The same is true for promotional groups. They meet obvious needs: consolidating traditional markets and developing new ones; providing for the financial requirements of this type of activity.

A comparison of the fish processing industry with other industries in the agri-food sector shows that promotional efforts are minimal. We applaud and encourage recent initiatives taken by New Brunswick lobster processors to create CALPA. This is a group of Atlantic Canadian lobster processors, whose objective is generic promotion. The Task Force hopes that CALPA organizers will open the doors of their organization to anyone who shares, either directly or indirectly, their desire to develop this industry throughout North America.⁶³

Whereas CALPA represents a first important step towards forming a group of lobster processors with the aim of promoting lobster consumption and the development of new markets;

Whereas discussions are now underway to include fishermen's groups in the organization's structure;

Whereas fishermen have clearly indicated their willingness to provide financial support for a generic promotional effort and to participate on the CALPA board;

RECOMMENDATION 33

The Task Force recommends that the New Brunswick Department of Fisheries and Aquaculture match financial contributions made to CALPA by fish processors in the province. With this gesture, New Brunswick can set the tone for other provinces: more or less in the short term. CALPA can be endowed with several million dollars to promote lobster.

⁶² The Quebec experience shows that, depending on the formula used, financial institutions may require government guarantees sometimes to the tune of several million dollars.

⁶³ The Task Force believes that generic promotion could be a unifying force for the industry, especially for fishermen and processors. Several fishermen have indicated their willingness to contribute to a promotional fund by means of a deduction on every pound of lobster caught. It is easy to imagine the impact if processors matched this amount.

Similarly, the Task Force considers it essential for the Department of Fisheries and Aquaculture to undertake an extensive round of consultations with fish and seafood processors in the province and research centre representatives to inform them of its new marketing vocation and to give its marketing division content that will meet their needs.

Whereas the Department of Fisheries and Aquaculture of New Brunswick has recently created a marketing division;

Whereas industrial development activities carried out to date by the Department of Commerce and Technology will be transferred to the Department of Fisheries and Aquaculture;

Whereas the challenges of this decade will require a proactive approach to the development of the industry;

Whereas the Department of Fisheries and Aquaculture of New Brunswick will have to strike a balance between resource-oriented and processing-oriented efforts;

RECOMMENDATION 34

The Task Force recommends that the new marketing division, which starts up officially in April of 1991, should have at least these two dimensions to its mandate:

- In order to fill in the gap left by the transfer of responsibilities from the Department of Commerce and Technology to the Department of Fisheries and Aquaculture, it is imperative that a "product development" segment be created.
- In order to fill another obvious gap, it seems to us that a second task of this new division should be to coordinate the actions of the department related to promotion such as trade and technology missions, participation at shows and international exhibitions.

Addenda

We cannot conclude this section without raising the issue of fish buying at the wharf.

From the point of view of fishermen, wharf sales may be adversely affected if processors unite and form marketing groups. The fragile balance that has been established over the years could be upset, with potential consequences on fishermen's incomes.

The terms of reference of the Task Force did not include examining this issue. However, we cannot ignore this problem. As we have no specific solution to suggest, we thought it an opportune moment to point out recent developments in Quebec in this regard. In June 1990, the Ministère de l'Agriculture, des Pêcheries et de l'Alimentation du Québec expanded the scope of Bill 15 (Loi sur la mise en marché des produits agricoles, de la pêche et de l'alimentation du Québec) to include the fishing industry. By doing this, M.A.P.A.Q. is allowing fishermen, like farmers, to set up marketing boards, subject to the same rules.

Marketing boards in Quebec encompass a broad range of organizations. Boards can be divided into two main categories: marketing boards without supply management powers (promotional and negotiating boards, central selling agencies, etc.) and marketing boards with supply management powers (price regulation based on production quotas and import control).

According to the Economic Council of Canada, marketing boards aimed at establishing countervailing power for farmers have generally been operating successfully and to the benefit of society. This is especially true for hog marketing boards and the Canadian Wheat Board (products largely exported abroad).⁶⁴ The Council explains the positive aspects of marketing boards:

"These boards have worked to the advantage of producers, who are now able to secure the fair return formerly denied them because of their insufficient bargaining power. To the extent that markets function better, that additional detailed information is provided, and that quality is controlled, both the consumer and the producer benefit. No doubt, as in the case of other institutions, the operation of the boards could be improved. Nevertheless, the Council endorses their activities and sees no need for radical changes in their mandates."⁶⁵

There is no longer any doubt that the joint plan system has been a great help in stabilizing the marketing of Quebec and Canadian agricultural products.⁶⁶ André Marier, an economic consultant to the Régie des marchés agricoles et alimentaires, outlines the advantages of joint plans:

⁶⁴ Economic Council of Canada, "Agricultural Marketing Boards," in *Reforming Regulation*, 1981, p. 51-68.

⁶⁵ *Ibid.*, p. 65.

⁶⁶ On this subject, it is interesting to note the unconditional support given by various processors' and consumers' organizations in Quebec to the milk supply management system during the recent consultation of the task force on Canada's milk policy. Stability (of supply and prices) is the word that crops up most frequently in their briefs explaining their support for the system.

"The so-called administered marketing system, which recognizes the power of agricultural producers to join forces, if they so wish, — and in a coercive manner — in order to negotiate collectively the marketing of their products, which is still called supply management, has truly established a fair negotiating balance between the supply of and demand for agricultural products. The joint plan system — and the discipline it implies — has resulted in an extensive consultation and dialogue process among agricultural producers, which has led them to rationalize production and structure product flow ... The system has established prices, which, on the whole, provide agricultural producers with fairly comfortable, stable incomes. It is because of this relative stability that agricultural producers were able to move from small-scale to highly specialized production, which ensured them a place in export markets..."⁶⁷

It is especially interesting that one section in particular of the act that came into effect last September 12 allows agricultural producers and fishermen, as well as buyers, intermediaries and processors, to set up "coordination and development boards" with the function of managing "interprofessional marketing agreements."⁶⁸

Before a board can be set up, agricultural producers or fishermen must agree to participate. As well, one or more representative buyers' associations or other intermediary is necessary.

Setting up a board requires that the promoters develop an action plan specifying the objectives to be pursued and the means of pursuing them. After holding public hearings for all those concerned, the Régie approves the establishment of a board and grants it powers based on the consensus expressed within the industry itself.

Those concerned define the board's terms of reference, which may range from a very narrow exercise to very broad sectoral development concerns. The board could serve as a simple mechanism for consultation among members to coordinate their efforts better and make the industry as a whole more efficient and competitive, or it could devise a real sectoral development strategy or action plan, covering everything from production techniques to the best production methods to use. Boards could discuss how to improve the quality of manufactured products or how to provide information to consumers. Also, thought could be given to establishing sectoral production and packaging standards or to pooling resources to develop production or processing techniques. Together, members could determine whether all levels of the sector could join forces to promote export initiatives or they could pool their financial resources to conduct market development studies.

Whereas the application of the Loi de mise en marché des produits agricoles et alimentaires du Québec to the fisheries sector creates an interesting precedent;

⁶⁷ Address to senior officials at the Ministère de l'Agriculture et de l'Alimentation du Québec with respect to coordination and development boards of the Quebec bio-food industry by Mr. André Marier, an economic consultant to the Régie des marchés agricoles et alimentaires, at Lac Delage, November 12, 1990, p. 1-2.

⁶⁸ For further details on this new structure, see Appendix 7.

Whereas initiatives for the establishment of joint plans and coordination and development boards are likely to be implemented in Quebec;⁶⁹

Whereas a "partnership" system offers the fisheries sector an alternative to the many obvious inconsistencies that exist for want of an instrument to eliminate them;

RECOMMENDATION 35

The Task Force recommends that the New Brunswick Department of Fisheries and Aquaculture form a study group to monitor and to analyze the Québec experience related to the implementation of joint marketing plans. The group should have representatives from the Department of Fisheries and Aquaculture, fishermen and processors.

⁶⁹ Note that the Régie des marchés agricoles du Québec held hearings in the Magdelene Islands last November 28 on the joint plan submitted by the Association des pêcheurs-propriétaires des Iles. Lobster fishermen from the Magdelene Islands asked the Régie to set up a fishermen's board for the Islands' 325 fishermen, which would have the power to negotiate lobster prices with buyers. These 325 lobster fishermen now have a joint plan (92% of them voted and 88% were in favour of it). According to François Poulin, the executive director of the Alliance des pêcheurs commerciaux du Québec, "negotiations with the seven major buyers will begin in March so that our plan will be in effect when the next season opens." In addition, the Association québécoise de l'industrie de la pêche (AQIP) recommends the establishment of a coordination and development board, which would bring together major industry participants to identify problems affecting the industry and find possible solutions. (*Pêche Impact*, Vol. 3, No. 5 (December 1990), p. 35-36; UPA, *Trait d'Union*, February 22, 1991).

2.3 Maintaining and Improving Quality

In the 1990's, the quality of fisheries products will be of utmost importance both in terms of production and marketing. Consequently, the recent implementation of good industrial practices or quality management programs is an ideal opportunity for New Brunswick producers to obtain a better market position.

However, implementing these new standards will require investments that may lead to increased operating costs (quality control, training, laboratory testing, etc.).

Whereas the federal government is proceeding with the implementation of a quality management program for all fish processing firms that sell in export markets;

Whereas the deadline for the implementation of this program is April 1, 1991;

Whereas many plants will not be able to meet the new quality standards set by the federal government;

Whereas New Brunswick fisheries products must maintain their good image on international markets;

Whereas the industry must turn more toward larger plants to reduce production costs for some species;

Whereas owners of existing plants do not generally have the resources needed to upgrade plants to meet the new product quality standards;

RECOMMENDATION 36

The Task Force recommends the creation of a fund for the modernization of fish and seafood processing plants in New Brunswick with the goal of offering affected processors loans and loan guarantees for upgrading to meet the highest quality standards.⁷⁰

⁷⁰ This fund should be discussed by the provincial and federal governments under the existing Canada-New Brunswick Subsidiary Agreement on Fisheries Development.

The amount and objectives of the fund, as well as eligibility and financial assistance requirements, should be determined by a joint committee with representatives from:

- the Department of Fisheries and Aquaculture of New Brunswick;
- the Department of Commerce and Technology of New Brunswick;
- Fisheries and Oceans Canada;
- the Atlantic Canada Opportunities Agency;
- the New Brunswick fish and seafood processing industry.

While the industry is seeking to maintain and consolidate its market position by producing products of the highest quality, processing licence holders who do not export their products are not subject to the same requirements as producers who sell part of their production abroad.

The Task Force deplores the fact that different standards of quality apply depending on the market for which products are destined:

- We consider it illogical and unacceptable that Canadian consumers can be sold products that were not subject to the same inspections as those sold on the international market.
- Unlike firms that sell exclusively on the domestic market, firms with an export licence must invest large sums of money to comply with federal standards. As a result, they are at a disadvantage compared to firms not required to make the same expenditures.

Whereas there is presently some uncertainty as to whether a quality management program will be implemented for all processing plants that sell products on export markets;

Whereas New Brunswick fisheries products consumed in the province are not subject to the same standards as those consumed elsewhere in the country or destined for export;

Whereas this situation is unacceptable to New Brunswick and Canadian consumers,⁷¹ as well as to processors who develop new markets outside Canada and who, by doing so, must meet standards involving relatively high costs;

Whereas New Brunswick has the authority under the Fish Processing Act to establish conditions for obtaining a fish processing licence;

⁷¹ In view of the fact that consumers are now very conscious of the quality of fisheries products (pollution problems, domoic acid, etc.), even the slightest incident caused by consuming a contaminated product will soon spread throughout the continent like wildfire. The consequences would be enormous for the New Brunswick fishing industry.

RECOMMENDATION 37

The Task Force recommends that the Public Interest Committee make it a requirement of every New Brunswick fish processing licence that federal quality and health standards be respected.

Similarly, and further to the preceding recommendation:

Whereas most pedlars do not meet standards guaranteeing public safety beyond a reasonable doubt;

Whereas the selling of fish products under unsanitary conditions has an extremely adverse effect on the quality image of New Brunswick products;

Whereas the activity of some fish brokers has a destabilizing effect on the industry;

Whereas the Department of Fisheries and Aquaculture of New Brunswick has the authority to licence pedlars and brokers;

RECOMMENDATION 38

The Task Force recommends that brokers and pedlars be obliged to submit to the same health standards as processors and that, accordingly, their vehicles and equipment be subjected to an obligatory annual inspection.

RECOMMENDATION 39

The Task Force recommends that the price of a licence to buy fish and seafood should be comparable to that paid by processors, say \$500.

2.4 Training: The Ability to Adjust

As indicated by Recommendation 20, which requires anyone wishing to work in a fish processing plant to hold a Fish Processing Skills Certificate, the Task Force considers education and training essential to industry development. To meet the challenges of quality and mechanization, plant workers must have access to adequate training programs. We must be able to rely on a qualified, professional labour force to ensure stable employment for workers.

As the industry's technology becomes more and more complex and the number of participants increases, the industry must step up its efforts to attract managers with the necessary qualifications. Also, there is no doubt that the rapidity with which changes occur in markets, technology, and management methods makes it necessary to develop an adjusted concept of permanent training for those in supervisory positions.

Whereas the industry has clearly indicated its need for trained management and supervisory personnel;

Whereas the New Brunswick fishing and aquaculture industry must step up its efforts to manufacture products of the highest quality, which will require adequate training for all personnel;

Whereas all processing workers should have a Fish Processing Skills Certificate before entering this job market;

Whereas funds are currently available to conduct a training needs assessment;

Whereas community colleges in New Brunswick have the expertise needed to help the industry to identify its training needs;

RECOMMENDATION 40

The Task Force recommends:

1. that a complete and systematic study be undertaken of the training needs in the fishing industry for the whole province;
2. that programs corresponding to those needs be developed as soon as possible in concert with concerned parties and within the framework of a collective exercise coordinated with appropriate teaching institutions.

2.5 Suggestions for the Department of Fisheries and Aquaculture

This report would be incomplete if we did not mention a fundamental deficiency within the New Brunswick Department of Fisheries and Aquaculture, which has caused us many problems. The department does not have an adequate information collection, production and management system. It depends entirely on information supplied to it by other departments involved directly or indirectly in the fisheries sector. Most of the time, the data is unusable because it is not suited to the needs of the provincial Department of Fisheries and Aquaculture. Because each department's calculation methods are different, different statistics must be used to assess the same phenomenon. The situation is particularly bad in the processing sector where good information is, for all practical purposes, nonexistent. Although a large quantity of data can be found, it is hard for the Department of Fisheries and Aquaculture to use them in its present form.

Consequently, and in view of the fundamental role that the Department of Fisheries and Aquaculture of New Brunswick will be called upon to play in the years to come:

RECOMMENDATION 41

The Task Force recommends that the New Brunswick Department of Fisheries and Aquaculture prepare a complete inventory of available statistics on the New Brunswick fishing industry; evaluate its needs in terms of statistical information; and develop a plan for the collection, production and management of information including the negotiation of memoranda of understanding with the provincial departments of Commerce and Development as well as Labour and the federal departments of Fisheries and Oceans, International Trade and Industry, Science and Technology.

To conclude, we have one last recommendation to make to the Department of Fisheries and Aquaculture of New Brunswick. Less than two years ago, the department set up advisory committees in each of the province's three fishing and aquaculture regions. The goal of these committees was to provide a forum for industry participants to advise the government of New Brunswick on various aspects of the industry in their respective regions.

These committees could become a valuable tool by allowing the department to remain in close contact with the key players in the fishery, in fish processing and in aquaculture in each region.

In order to make maximum use of the potential of these advisory committees and to give real direction to their mandate, which is to "make recommendations on how to promote the development of the industry, on how to solve problems of local interest and on some government programs," and to provide the necessary follow-up to these recommendations;

RECOMMENDATION 42

The Task Force recommends that the New Brunswick Department of Fisheries and Aquaculture make every effort to hold a minimum of two meetings every year for each of the regional advisory committees. These meetings should be chaired by the deputy minister or an assistant deputy minister of the New Brunswick Department of Fisheries and Aquaculture.

RECOMMENDATION 43

The Task Force recommends also that the New Brunswick Department of Fisheries and Aquaculture hold an annual general assembly, chaired by the Minister of Fisheries and Aquaculture, which would bring together the members of the three regional advisory committees. This assembly would provide a real opportunity to create a provincial consciousness for the fishing industry and to lay the foundation for a concerted effort for discussing and elaborating major policy and main guidelines for the department's annual action plan.

CONCLUSION

We have arrived at the end of our report. The rationalization process used by the Task Force consisted, first of all, in developing a profile of the New Brunswick fish and seafood processing industry and isolating the main issues. From there, we devised an action plan based on the objective that guided the work of the Task Force from the outset: creating a suitable environment to help ensure a more stable New Brunswick fishing industry capable of meeting future challenges. Of course, we do not claim to have exhausted all avenues. However, our recommendations are the result of a consultation exercise rarely seen in the New Brunswick fish and seafood processing industry. Over the course of this consultation, the Task Force met and held open-ended discussions with over 200 groups and individuals in a climate of confidence and openness.

Before closing, we believe we should list some of the convictions we developed during the course of our work:

- emphasis must be placed on clarifying the decision-making process and mechanisms;
- day to day management must be replaced by a more planned and better coordinated approach;
- the government must exercise appropriate leadership by demonstrating will and determination and by acquiring the means of undertaking the necessary reforms. The challenges are great and the expectations considerable, but the offers of cooperation are there.
- it is essential to expand the dialogue process and to develop a spirit of "partnership" between the fishing industry and the government. Each must assume responsibility and avoid throwing the ball into the other's court. These two major economic players must join forces and work toward the "rational" development of the fish and seafood processing industry to ensure a favourable future for this sector that is so vital to New Brunswick.

While it is easy to criticize, it is much more difficult to come up with solutions that meet our objectives, and even more difficult to put them into effect. We are not suggesting that it will be easy, because there is no miracle solution that will cure all of the problems of the fishery in the blink of an eye. We believe the time has come to pass the torch to industry participants, and we can only express our wish that those who feel deeply about developing the New Brunswick fishing industry will approve of the report's recommendations, which, we hope, are a step in the right direction.

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APPENDIX 1
CONTEXT FOR THE ESTABLISHMENT OF THE TASK FORCE

Statement of Denis Losier
Minister of Fisheries and Aquaculture
April 26, 1990

Mr. Speaker, during the past few weeks, I have informed the House of the difficult situation our fishing industry is now facing; in brief, I referred to processing capacity expansion, diminishing stocks of many species, weakened markets, high interest rates and the strength of our currency in relation to the Japanese yen. I also stressed the need for a long-term approach to diversify the economy of coastal regions and rationalize the fish processing industry.

The announced restriction on issuing new licenses, together with the assurance that existing licenses will be renewed under the Fish Processing Act, is only one of the actions that must be taken to address the situation.

Now is the time to consider mechanisms to put in place to ensure this industry rationalization in terms of market requirements, resource availability, processing capacity optimization and, most of all, adequate working conditions for plant workers.

We must also take into account the fact that the processing industry will have to make substantial investments to meet the production and quality standards the various markets demand. Also, the industry has to provide against the constant emerging of new nontariff barriers.

To this end, I am announcing today a task force to develop a framework for these rationalization efforts.

APPENDIX 2 LIST OF INTERVIEWS AND BRIEFS

Many people discussed the rationalization of the New Brunswick fisheries with the Task Force or presented written briefs during the consultation process. The exchange of ideas and opinions at various meetings helped us greatly in our work. We thank all those involved for their contribution.

Interviews :

° **Association des boucanières de Cap-Pelé**

- Bernard Richard

° **Association coopérative des pêcheurs de l'île**

- Paul-Orel Chiasson
- Rhéal Chiasson
- Kim d'Entremont
- Réginald Larocque

° **Association des crabiers et hauturiers du Nord-Est**

- Calixte Chiasson
- David Noël

° **Association des pêcheurs professionnels acadiens**

- Hector Chiasson
- Alyre Gauvin
- Gastien Godin
- Bernard Haché
- Arsène Larocque
- Jean-Pierre Plourde
- Donat Vienneau
- Fernand Vienneau

° **Association québécoise de la commercialisation des produits de la mer (AQCOMER)**

- Michèle Daignault

° Bank of Nova Scotia / Banque de Nouvelle-Écosse

Saint John

- Brian Buckles
- Barry Munroe

° Caisse populaire de Shippagan

- Belonie Mallet

° Canada, Department of Employment and Immigration / Ministère de l'Emploi et de l'Immigration

- Guilmond Brideau
- Donald Cormier
- Gilles Frenette
- Jean-Guy Frenette
- Michel Haché
- Théo Paillard
- Jean-Pierre Poitras
- Yvon Vinet

° Canada, Department of Fisheries and Oceans / Ministère des Pêches et Océans

Halifax

- Ben Ferguson
- David Lemon
- Arthur Willet
- Roy Pond
- Faith G. Scattolon

Moncton

- Michel Audet
- Reg Bourque
- Maurice Girouard
- Maurice Lévesque
- Gilberte Nolan
- Dick Whelan

St. Andrews

- Don Brown
- Dave Doncastor
- Rex Hunter
- Hank Scarth

Tracadie

- Michel Albert
- Louis-Philippe Daneault
- Normand Dugas

Canadian Manufacturers' Association / Association des manufacturiers canadiens

- Gerry Cluney

Centre de recherche industrielle du Québec

- Michel Dô
- Serge Huppé

Collège communautaire du Nouveau-Brunswick**Bathurst**

- Réginald Boudreau

Commission d'expansion économique de la Péninsule

- Richard Albert
- Albertine Cormier
- J. Bernard Robichaud
- Fernand Roy

Conférence socio-économique de la Péninsule acadienne

- Maurice Chiasson
- Ghislaine Foulem
- Rhéal Paulin

° **Connors Brothers Ltd.**

- ° Roland Campbell
- ° Bill Moffatt
- ° Lou Patterson

° **Conservation Council**

- ° Beth Beurkle
- ° Dave Thompson

° **Devmar inc.**

- ° Jean Saint-Cyr

° **Eastern Fishermens' Federation**

- ° Cliff Thompson

° **Fédération des caisses populaires acadiennes**

- ° Lucien Boudreau
- ° Aldoria Cormier
- ° Raymond Gionet
- ° Gilles Ménard

° **Fédération ostréicole de la Péninsule acadienne**

- ° Gaëtan Dugas

° **4 P Consultants**

- ° Michel Thibault

° **Gionet, Victor**

° **Grand Manan Fishermens' Association**

- ° Klaus Sonnenberg
- ° Tony Lyons

° **GTA Fisheries Consultants / GTA Consultants en Pêches**

- Laurie Bourque
- Gilles Thénault

° **Gulf Seiner Association / Association des seigneurs du Golfe**

- Olin Grogan

° **Heishiron Fisheries Ltd.**

- Joyce Benson
- Ron Benson

° **Honourable Aldéa Landry, Minister of Intergovernmental Affairs and Deputy of Shippagan-les-Iles**

° **Maritime Fishermen's Union / Union des pêcheurs des Maritimes**

- François Beaudin
- Michael Belliveau
- Réginald Comeau
- Guy Cormier
- Roger Cormier
- Maurice Doucet
- Edmond Drysdale
- Alfred Leblanc
- Paul-Aimé Mallet
- Frank McLaughlin
- Paul Nowlan
- David Vibert

° **Métallurgistes unis d'Amérique**

- Rosemonde Chiasson
- Aline Duguay
- Yvon Godin
- Noella Lantergne
- Eloise LeBouthillier
- Josephine Norbert

° **Moore-Clark Co. Inc. (Canada)**

- ° Ian Stewart
- ° Sam Bowman

° **National Bank of Canada / Banque Nationale du Canada**

Moncton

- ° Philippe DesRosiers
- ° Jean-Paul Emard

° **New Brunswick, Department of Agriculture / Nouveau-Brunswick, Ministère de l'Agriculture**

- ° Wayne Buffet
- ° Robert Saintonge

° **New Brunswick, Department of Commerce and Technology / Nouveau-Brunswick, Ministère du Commerce et de la Technologie**

- ° George Bouchard
- ° Ken Hamilton
- ° Francis McGuire

° **New Brunswick, Department of Fisheries and Aquaculture / Nouveau-Brunswick, Ministère des Pêches et de l'Aquaculture**

Caraquet

- ° Hédard Albert
- ° Eudore Dugas
- ° Claude LeBouthillier

Fredericton

- ° Yvon Belliveau
- ° Maurice Bernier
- ° Omer Chouinard
- ° Russel Henry
- ° Marianne Janowicz
- ° Henri Legaré
- ° David MacMinn

-
- Sylvestre McLaughlin
 - Nihat Ozerdem
 - André Pelletier
 - Claude Williams
 - Kerry Wilson

St. Stephen

- Sandi McGeachy
- John O'Halloran

New Brunswick, Department of Labour / Nouveau-Brunswick, Ministère du Travail

- Lori Baker
- John Roushome
- Guy Thibodeau

New Brunswick, Department of Supply and Services / Nouveau-Brunswick, Ministère de l'Approvisionnement et des Services

- Lynne Fudge
- Mike Hennesy

New Brunswick, Research and Productivity Council / Nouveau-Brunswick, Conseil de la recherche et de la productivité

- Dr. Bev Bacon

New Brunswick Fish Packers' Association / Association des empaqueteurs de poisson du Nouveau-Brunswick

- Jim Bateman
- Fernand Brideau
- Kim d'Entremont
- Peter Dysart
- Jean-Pierre Hébert
- Eric Smith

° **New Brunswick Salmon Growers' Association**

- Gene Henderson
- Keith Pendleton

° **Nova Scotia, Department of Fisheries / Nouvelle-Écosse, Ministère des Pêches**

- George Richard

° **Paturel's Seafood Limited**

- Jim Bateman

° **Pêcheries Cap-Lumière Fisheries Ltd.**

- Jean-Guy Maillet

° **Pêcheries St-Paul (1989) Itée**

- Jean Robichaud

° **Poulin, Pierre**

° **Progressive Conservative Party of New Brunswick / Parti progressiste-conservateur du Nouveau-Brunswick**

- Barbara Baird Filliter

° **Québec, Ministère de l'Agriculture, des Pêcheries et de l'Alimentation**

- Michèle Bérubé
- Robert Lemieux
- Jean-Paul Lussia-Berdou
- Gaston Robitaille
- Pierre Vagneux

° **Québec, Société de commercialisation des produits de la mer (SOCOMER)**

- Jones Sheehan

Regional Advisory Committees to the New Brunswick Minister of Fisheries and Aquaculture / Comités consultatifs régionaux du ministre des Pêches et de l'Aquaculture du Nouveau-Brunswick

Region 1 : Northeast

- Maurice Bernier
- Mathilda Blanchard
- Gérard Brideau
- Valmond Chiasson
- Yvon Godin
- Cécile Lanteigne
- Paul-Aimé Maillet

Region 2 : Southeast

- Bernie Briggs
- Edmond Drysdale
- Eric Dugas
- Peter Dysart
- Gilles Thériault

Region 3 : Southwest

- Jack Boone
- Bill Moffatt
- Keith Pendleton
- George Shannon
- Bill Thompson

▫ Royal Bank / Banque Royale

Halifax

- Sid Smith
- Stanley Middaugh

▫ Syndicat acadien des travailleurs affiliés de la pêche

- Mathilda Blanchard

° **Special K Fisheries**

- Sharon Kinghorn
- Sherman Kinghorn

° **Star Kist Foods Canada Inc.**

- Gunnar Rolletsen

° **Tavel Limited**

- William Apold
- Stanton Guy

° **Technical University of Nova Scotia
Canadian Institute of Fisheries Technology**

- James Henry
- John Merritt
- Andy Woyewoda

° **Trico Seafoods Ltd.**

- Jess Frontain

° **Union des producteurs agricoles du Québec**

- Sylvie Drouin
- Claude Lafleur

° **Université de Moncton, Centre de recherche sur les aliments**

- Soeur Auréa Cormier

° **Western Charlotte Clam Diggers' Association**

- Larry Foster
- Chuck Sehorn

▫ **Westmorland Fisheries Ltd.**

- Yvon Gaudet
- Gilles Leblanc

▫ **Wild Blueberry Association of North America**

- Dr. George Wood

▫ **Williams, Rick**

Briefs :

▫ **Aqua-Pac Ltd / Itée.**

- Joe Gallant

▫ **Association des pêcheurs professionnels acadiens**

▫ **Canada, Department of Fisheries and Oceans / Ministère des Pêches et Océans, Tracadie**

▫ **Commission d'expansion économique de la Péninsule**

▫ **Connors Brothers Ltd.**

▫ **Conservation Council**

▫ **J. Bennett Macauley**

▫ **New Brunswick Fish Packers' Association / Association des
empaqueteurs de poisson du Nouveau-Brunswick**

▫ **Vic A. Perroni**

APPENDIX 3 INDUSTRY PRODUCTION: 1988 AND 1989

New Brunswick - Fish Processing Production : 1988 and 1989

Introduction

This section provides an overview of the New Brunswick fish processing industry and compares the value of production of fish processing plants in the Gulf of Saint Lawrence and the Bay of Fundy regions of New Brunswick for the years 1988 and 1989. To be noted in particular is the **8% overall downturn from 1988 to 1989** in production value provincially and the shocking decline in the value of production from 1988 to 1989 in the Gulf of Saint Lawrence which could not be fully offset by the production increases in the Bay of Fundy region.

There are six main product categories :

- frozen;
- canned;
- cured;
- meal and oil;
- fresh;
- salmon aquaculture.

Aside from the canned products, there is little in the way of sophisticated food processing or of so-called secondary stage value added products. Extremely rare is the plant with the volume, technology, know-how, resources and the marketing network available to market prepared meal products for example.

Salmon aquaculture is presented in this group because of the great similarities with outright processing in terms of marketing, capital intensity, complicated production functions, the fact that many firms do dressed products and the financial importance of the fish farming segment.

In the regional analysis these product categories are further subdivided into the major economically important species. Variations in the value of production from 1988 to 1989 are explained with reference to changes in quantities and overall average prices. The data presented are from Fisheries and Oceans Canada as declared by plants registered for export permission with that federal department.

Total and regional landings are also scrutinized.

As will be discussed in Appendix 4, this analysis is necessary but insufficient to assess fully the many dimensions of sector performance.

Provincial Overview and Major Findings

Table 1 displays an overview of total value of fish processing production and of landings for New Brunswick in 1988 and 1989.

TABLE 1

New Brunswick - Fish Processing and Landings**Total Value of Production - \$10³**

	1989	1988
Fresh and Frozen	193,400	258,066
Canned, meal and oil	119,008	77,439
Cured and smoked	16,815	26,755
Aquaculture - salmon	42,000	42,900
Total	371,223	405,160

Landings - \$10³

	1989	1988
Groundfish	8,221	7,963
Herring	14,275	15,723
Scallops	9,409	6,025
Lobster	44,185	43,649
Shrimp	3,621	3,647
Snow crab	12,107	32,181
Others	10,715	10,696
Total	102,533	119,884

Sources : DFO, Moncton and Halifax
DFA for aquaculture

The major findings of the comparison of 1989 with 1988 reveal a significant decline in the total value of production of fishfood commodities in New Brunswick. It went from over \$405 million to \$371 million for a drop in excess of \$34 million. This overall provincial decrease of about 8% camouflages the stronger fluctuations for specific species in the particular regions.

For example, in the Gulf of Saint Lawrence areas, total value of production plummeted by a staggering \$79 million going from \$255 million to \$176 million. Price changes and fish stock reductions explain a large portion of that decline.

In the Fundy region overall production was actually up from almost \$150 million to \$195 million due mostly to increases in canned production. This increase was partly because of Starkist's return to operation. Sadly, this revival turned out to be shortlived. The company ceased operations for good in 1990.

As for the value of landings overall, Table 1 reveals that total value was down from about \$120 million in 1988 to just under \$103 million in 1989. The largest single reason was the plunge in snow crab prices and tonnage.

The sharp downturns in so many prices for most products at the processing level were passed on to the harvest sector as is shown in the landings figures for both regions.

It should be noted that the number of plants registered with DFO for exporting stayed fairly stable. Little change occurred at the specific commodity level and overall there were 156 in 1989 compared with 160 in 1988. The firms entering and leaving produced quite modest levels of fish products. Many included are fish markets which are federally licensed to export from the province.

A word on diversity is in order as well. While the industry is diversified in terms of species, the individual firms are not. Over 90% of firms do only one or two species. This applies to both regions. Furthermore, the firms are mostly small or medium sized. Only seven firms produced over 2,000 t of finished product in 1989.

The number of firms registered provincially tends to be higher in number because not all of them export product from the province. In 1989 there were 184 licensed processing plants and in 1990 there were 177.

Gulf of Saint Lawrence Region

The following, Table 2, compares value of production figures for 1988 and 1989 in the Gulf of Saint Lawrence region.

TABLE 2

New Brunswick - Gulf of Saint Lawrence Region**Value of Fish Processing Production - \$**

	1989	1988
Frozen		
Lobster	62,116,676	90,488,097
Snow crab	21,765,606	51,574,768
Cod	11,749,740	9,025,928
Herring	5,805,475	16,838,628
Shrimp	3,070,510	12,851,726
Redfish	606,789	3,738,995
Others	4,555,978	6,425,542
Total	109,670,774	190,943,684
Canned	2,361,720	5,646,162
Cured		
Herring	11,598,614	21,304,878
Alewives	1,110,024	1,989,638
Others	356,324	574,507
Total	13,054,962	23,869,023
Meal and Oil	3,184,083	4,553,381
Fresh		
Lobster	31,567,890	19,869,770
Clams	5,441,743	3,777,452
Cod	2,570,737	1,687,852
Others	8,412,229	4,992,136
Total	47,992,599	30,327,210
Grand Total	176,264,138	255,339,460

Source : DFO, Moncton

The total value of production in the fish plants along the Gulf of Saint Lawrence experienced an alarming reduction going from approximately \$255 million in 1988 to about \$176 million in 1989. Cash flow was reduced by \$79 million or 31% of 1988 levels.

Frozen products in shellfish as well as in herring tend to drive the region's fish processing sector. Lobster is the primary species in both fresh and frozen categories. As can be seen in the frozen category of Table 2, production value in lobster, crab and herring tumbled drastically.

Table 3 provides a comparison of prices between 1988 and 1989 for selected principle products. Prices fell right across the board and these decreases explain in large measure the contraction that took place. For example, the value of herring fell from \$16,838,628 to \$5,805,475 as shown in Table 2. Referring to Table 3 the average price of roe went from \$8.91 to \$3.27 per kilo. Production went from 1669.6 t to 1614.9 t for a drop of only 3% but with prices falling by over 63%, producers faced a 65% compression in the value of production of roe. Roe made up about 90% of herring based processing value in 1989 and 88% in 1988.

The story for crab was quite similar but with a compounding effect of a severe fall in landings in 1989. Noting once again Table 2 and Table 3, it can be seen that the value of production fell from \$51,574,768 to \$21,765,606 for all types of crab products. This is explained by looking at the price and quantity changes for specific crab commodities such as sections. For that output, value and quantity went from \$32,797,548 and 3276.7 t respectively to \$12,327,183 and 1868.5 t from 1988 to 1989 as per Table 3. With prices descending from \$10.00 to \$6.60 per kilo on average and volume plunging by 43%, the sector was subjected to a loss of 62% in the value of crab section production.

As one more example, it can be seen what happened to lobster in the same period. Frozen production diminished by about \$28 million in 1989. The cooked-in-shell products in particular were hard hit certainly in absolute terms. Value of production fell to \$9,794,383 from \$19,560,243 or 50%.

A further complicating factor was the larger quantities of inventory for many operators. This meant a higher portion of production did not convert to sales in 1989 as compared to 1988. This is consistent with slow moving markets.

One of the very few bright spots was in cod. Although its total value of frozen production fell, blocks went up both in quantity and price with a commensurate increase in value produced in 1989 over 1988. This was an exception to the overall trend.

TABLE 3
New Brunswick - Gulf of Saint Lawrence Region
Analysis of Price Variations 1988-1989
Selected Products

		Average Price \$/kg		Number of Plants	
FROZEN					
Ood					
Boneless fillets					
1989	2038.1 t	@	2.63	for	\$5,355,718 (14)
1988	1454.4 t	@	3.43	for	\$4,986,648 (12)
Blocks					
1989	2073.0 t	@	2.57	for	\$5,325,817 (5)
1988	1631.7 t	@	1.87	for	\$3,057,551 (7)
Redfish					
Boneless fillets					
1989	1086.7 t	@	4.97	for	\$539,692 (6)
1988	1308.8 t	@	26.89	for	\$3,520,098 (5)
Herring					
Roe					
1989	1614.9 t	@	3.27	for	\$5,282,417 (24)
1988	1669.6 t	@	8.91	for	\$14,876,753 (30)
Lobster					
Meat					
1989	2249.6 t	@	20.06	for	\$45,568,773 (27)
1988	1936.7 t	@	27.32	for	\$52,914,661 (25)
Tails in shell					
1989	287.5 t	@	12.90	for	\$3,710,089 (10)
1988	360.6 t	@	26.75	for	\$9,645,819 (13)
Cooked in shell					
1989	2303.6 t	@	4.25	for	\$9,794,383 (24)
1988	2210.7 t	@	8.85	for	\$19,560,243 (23)

		Average Price \$/kg		Number of Plants	
FROZEN					
Shrimp					
Peeled					
1989	533.8 t	@ 5.47	for	\$2,919,972	(3)
1988	705.6 t	@ 11.00	for	\$7,761,809	(3)
Snow crab					
Sections					
1989	1868.5 t	@ 6.60	for	\$12,327,183	(18)
1988	3276.7 t	@ 10.00	for	\$32,797,548	(19)
Combination meat					
1989	558.0 t	@ 12.66	for	\$7,063,618	(18)
1988	700.3 t	@ 18.04	for	\$12,630,736	(21)
CANNED					
Snow crab					
Meat					
1989	113.2 t	@ 19.94	for	\$2,258,212	(4)
1988	115.1 t	@ 28.16	for	\$3,241,216	(5)
CURED					
Herring					
Bloaters					
1989	6973.6 t	@ 1.09	for	\$7,579,364	(27)
1988	5911.8 t	@ 1.43	for	\$8,425,454	(28)
Alewives pickled whole					
1989	2562.9 t	@ .43	for	\$1,110,025	(18)
1988	2632.5 t	@ .75	for	\$1,981,231	(18)
MEAL					
Herring					
Meal					
1989	3003.9 t	@ .58	for	\$1,753,670	(3)
1988	4241.7 t	@ .74	for	\$3,145,358	(3)

Bay of Fundy Region

An overview of the value of fish plant production for the Bay of Fundy region is provided in Table 4.

The product categories in Table 4 for the Bay of Fundy are grouped slightly differently than for those of the Gulf of Saint Lawrence because of the difference in product mix and because of the need to suppress figures to protect confidentiality. The categories used are :

- fresh and frozen;
 - canned, oil and meal;
 - cured and salted;
 - aquaculture.
-

TABLE 4

New Brunswick - Bay of Fundy Region
Value of Fish Processing Production - \$

	1989	1988
Fresh and Frozen		
Lobster	17,828,731	19,351,178
Scallops	13,050,272	6,346,969
Soft shell clams	1,079,614	415,363
Cod	334,950	1,978,747
Others	3,443,558	8,702,493
Total	35,737,125	36,794,750
Canned, Oil and Meal	113,462,148	67,240,041
Cured and Salted		
Groundfish	2,324,011	2,061,072
Herring and Others	1,435,987	825,236
Total	3,759,998	2,886,308
Aquaculture		
Salmon (estimated)	42,000,000	42,900,000
Grand Total	194,959,271	149,821,099

Sources : DFO, Halifax
DFA for aquaculture

The Fundy region of New Brunswick is overwhelmingly dominated by the production of canned products and fresh fish products. The big jump in the overall value of production from nearly \$150 million in 1988 to almost \$195 million in 1989 was due for the most part to the return to full production by the Starkist plant and by increased production of other canned foodstuffs. The predominant species for value added is herring which undergoes substantial transformation at the processing level.

Cage-raised salmon has also taken a position as a major species with harvested values at approximately \$42.9 million in 1988 and \$42 million in 1989. [Provincially, only lobster is worth more at the harvest level.] The slight drop in value was caused by a significant drop in average price from \$6.00 to \$4.25 per pound or 29%. Production quantities rose from 3,250 t to an estimated 4,500 t in the same period.

Lobster is the principal species in the fresh and frozen grouping.

Price information is scanty or confidential for many products but Table 5 offers some insight into trends in the value of the different commodities.

It can be seen that besides the drop in price of salmon, mentioned above, lobster and scallop prices also fell. These decreases were not as sharp as those experienced in the Gulf region.

Cod and herring prices held their own.

TABLE 5

New Brunswick - Bay of Fundy Region
Analysis of Price Variations 1988-1989
Selected Products

				Average Price \$/kg			Number of Plants
Cod							
	Wet heavy salted						
1989	390.209	kg	@	3.51	for	\$1,370,456	(8)
1988	362.805	kg	@	2.97	for	\$1,079,150	(9)
Herring							
	Boneless smoked						
1989	108.380	kg	@	3.41	for	\$370,060	(7)
1988	208.073	kg	@	3.35	for	\$698,681	(9)
Cod							
	Boneless fillets						
1989	228.775	kg	@	6.61	for	\$190,263	(5)
1988	250.850	kg	@	5.55	for	\$1,392,124	(6)
Scallops							
	Meat						
1989	1,286.287	kg	@	10.15	for	\$13,050,272	(18)
1988	558.738	kg	@	10.78	for	\$6,346,969	(17)
Lobster							
	In shell						
1989	1,945.701	kg	@	9.16	for	\$17,828,731	(24)
1988	1,872.712	kg	@	10.22	for	\$19,157,279	(23)
Salmon							
	Aquaculture						
1989	4,500.000	kg	@	9.33	for	\$42,000,000	(49)
1988	3,250.000	kg	@	13.20	for	\$42,900,000	(36)

Sources : DFO, Halifax
DFA for aquaculture

Landings

Landings figures for the Gulf of Saint Lawrence region and the Bay of Fundy region are shown in Tables 6 and 7 respectively. Quantities and values are presented for the major commercial species from the traditional fisheries and aquaculture.

TABLE 6
New Brunswick - Gulf of Saint Lawrence Region
Landings by Species

	1989			1988		
	t	\$10 ³	\$/kg	t	\$10 ³	\$/kg
Lobster	8,386	38,466	4.59	6,495	36,113	5.56
Snow crab	4,287	12,107	2.82	7,485	32,181	4.30
Herring	48,727	5,244	.11	49,049	8,118	.17
Cod	9,282	4,315	.47	9,137	3,785	.41
Shrimp	2,922	3,621	1.24	2,296	3,647	1.59
Scallops	1,711	1,977	1.16	1,090	1,290	1.18
Mackerel	4,020	1,236	.31	4,399	1,382	.31
Plaice	1,799	1,139	.63	2,064	1,139	.55
Redfish	3,610	1,107	.31	4,727	1,548	.32
Oysters	462	884	1.91	610	1,146	1.88
Smelts	1,073	740	.69	1,247	996	.80
Others	7,116	4,377		6,976	3,372	
Total	93,395	75,213		95,575	94,717	

Source : DFO, Moncton
t in round weight

In the Gulf region the value of landings was off by over \$19 million or 21% between 1988 and 1989. The decline was lead by the fall in snow crab landings and price. In 1989 average prices to fishermen dropped by 34% to \$2.82 per kilo and landings reached only 4,287 t compared to 7,485 t in 1988.

The rise in the value of lobster of over \$2 million was due to greater landings but the average price nevertheless fell from \$5.56 to \$4.59 per kilo.

Herring was also hard hit in 1989. Receipts to fishermen went down to \$5.2 million from \$8.1 million primarily because of a price reduction of 35%.

Shrimp receipts stayed stable because the decline in price was offset by a rise in the quantities landed.

The relative ranking of the total value of each commercial species did not change.

As for the Bay of Fundy, it experienced a modest rise in the value of landings in 1989 compared to 1988. Gains with herring and scallops overcame setbacks with lobster. Herring landings were up by almost 7,000 t and the price hardly changed. Scallop landings increased to 6,552 t from 3,844 t so revenues were up even though the price was off by about 8%.

Once again, lobster suffered a sharp contraction in total receipts mostly because of a fall of 17% in average prices and a slide in quantities landed of about 8%.

TABLE 7
New Brunswick - Bay of Fundy Region
Landings by Species

	1989			1988		
	t	\$ 10 ³	\$/kg	t	\$ 10 ³	\$/kg
Herring	58,214	9,031	.16	51,662	7,605	.15
Scallops	6,552	7,432	1.13	3,844	4,735	1.23
Lobster	769	5,719	7.44	839	7,536	8.98
Cod	1,115	998	.90	1,288	917	.71
Alewives	2,351	947	.40	2,209	1,035	.47
Soft shell clam	535	687	1.28	942	981	1.04
Pollock	830	520	.31	1,174	522	.45
White hake	294	142	.48	147	52	.35
Others	1,194	1,844		1,615	1,784	
Total	71,854	27,320		63,720	25,167	

Source : DFO, Halifax

In Summary

The changes in 1989 over 1988 were quite turbulent particularly in the Gulf of Saint Lawrence area where the value of production was down so drastically. The compression was in large part driven by events in the market place related to frozen lobster, snow crab and herring roe products.

In a general sense, the Bay of Fundy region fared reasonably well as indicated by the upturn in production of canned products. The upswing here was not enough to offset the setbacks in the Gulf of Saint Lawrence region. The result was an overall 8% decline in the value of fish processing province-wide.

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APPENDIX 4

THOUGHTS ON MONITORING SOCIOECONOMIC PERFORMANCE

Thoughts on the types of information that are required to monitor industry performance particularly in the context of managing the provincial Fish Processing Act

Introduction

This section surveys some of the issues related to monitoring socioeconomic performance in the fisheries and aquaculture. While statistics on production and landings are necessary, more systematic monitoring is really required if the department is to have a full grasp of events and trends in the sector. This is true particularly at the level of the firm.

The Fish Processing Act gives the Department of Fisheries and Aquaculture a powerful tool for managing the processing sector. To make informed decisions more relevant, meaningful, accurate and timely information must be made readily accessible to the department for that purpose.

To date considerable attention has been paid to the issue of excess capacity and the number of licences outstanding. The existence of excess capacity has been a rallying cry to explain many ills in the industry. However, it will be argued that capacity measures especially physical capacity measures and licence counts may not tell the whole story when examining industry performance, when trying to explain the level of capacity, or more importantly, when seeking to measure the impact of excess capacity on performance in the industry.

This section explores some of the conceptual problems surrounding the choice of relevant and meaningful information needed to manage the Fish Processing Act and specifically to regulate fish processing capacity in the public interest.

Capacity and the related issue about its rate of use in any industry is a very complex subject and this discussion is really quite brief. It in fact raises more questions than it answers. However, if the fish processing sector is to be managed effectively and fairly, a better understanding is required of :

- just what the problem of "overcapacity" is;
- what some of its causes are; and
- just what can be done about it.

To pursue these themes, this section will :

- discuss some capacity measurement issues;
- address the relevancy of capacity in the broader scheme of some common socio-economic sectoral goals;
- discuss the information requirements of the Fish Processing Act;
- conclude with some recommendations on directions to take in framework policy and how to satisfy information requirements for managing the fish processing sector.

Capacity Measurement

Excess capacity for fish processing has been raised as a serious concern in the Atlantic fisheries for quite some time. A frequently cited watershed date is 1977 when optimism over the new 200 nautical mile limit for the Canadian economic zone set off a frenzy of government stimulated investment in all kinds of fish processing facilities in Atlantic Canada.

It has been the focus of numerous reports including those listed in the bibliography.

The problem was considered serious enough that the Province of New Brunswick changed the Fish Processing Act and regulations effective in 1988 to allow DFA to regulate more tightly the issuance and renewal of fish processing licences.

The drastic downturn in business in 1989 in the Gulf of Saint Lawrence region fuelled the excess capacity debate and helped give rise to the establishment of the Task Force on the Rationalization of Fish Processing in New Brunswick in 1990. Falling prices and stock declines had intensified competition for the resource and added urgency to the dilemma of insufficient quantities of primary resources being available to feed all the plants.

If it is deemed that there are too many plants chasing too few landings what can be done about it, if anything?

A starting point has to be the measurement of capacity. There are two dimensions to the quantification of output capability :

- technical or physical;
- financial.

As will be discussed, if they are difficult to gauge, they are even more difficult to interpret.

Physical Capacity

Many factors influence the physical rate of production of a fish processing plant. Some important ones are :

- the efficiency of the work force;
- the efficiency of the equipment and other assets;
- the quality of the management and organization of the processing lines;
- available infrastructure;
- quality of the primary resource.

Efficiency usually refers to obtaining maximum output for a given input or minimum input for a given output. There is a physical or a financial dimension to this concept as well.

These factors are frequently interdependent. Efficiency levels are attained in one factor of production only if they can be reached by the others. Furthermore, economies of scale can play a role.

Even assuming that standards could be set for ranking rates of production on the different factors, what would constitute overcapacity? Is it sufficient to simply compare quantities of primary resources available in a region with total physical production potential in some standard time frame? Probably not. Several reasons come to mind.

One reason is the very nature of the technology used in food processing. Technology can be very lumpy. That is, the appropriate fixed assets to be used for a product line may be available only at a minimum scale. Once acquired, the set of assets is good for low or high levels of production.

Physical capacity may be obsolete from an economic perspective. One machine can be replaced by superior technology. In fact competitive forces demand such replacement, continually.

Another is the trend towards capital intensity. Firms are finding it increasingly difficult to maintain steady employment for their workforces. In some cases this can be because they feel they have to compete with unemployment insurance for example. Plants cannot always find the necessary numbers of people to meet production requirements. They purchase more and better equipment to reduce their dependency on labour. Also the competition for the resource and the gluts that can form at peak seasonal landing times induce them to maintain certain capacity levels to be able to handle unpredictable quantities of the primary resource, should they be able to obtain some.

Finally, there is already a certain regulator on the processing capacity and that is the bottom line of individual firms and their rates of return on investment. A look at the financial dimension of capacity is essential to understanding further why firms maintain the level of capacity that they do.

Financial Capacity

As noted in the Kirby Report, "the financial cost of excess (seasonal) capacity may be quite acceptable if the associated capital investment is sufficiently modest". The frequent lumpiness of technology was noted above. Thus it may be quite normal for a firm to have a high processing capacity and yet not be over-capitalized in the financial sense. Investment in plant and equipment to accommodate peak periods may also be quite rational in many circumstances.

When calculating production capacity in a physical sense care must be taken also to eliminate obsolete capacity. The technology from a financial perspective may have evolved and rendered certain equipment economically obsolete. Doug MacDonald makes the subtle distinction between underutilized capacity and excess capacity. It is the latter which gives rise to financial problems, not necessarily the former. Profit maximization may require excess capacity.

Investment by a firm in employees, plant and equipment for fish processing is a very intimate decision. It is motivated presumably by the desire to make a profit. The decision is taken based on a myriad of reasons. Levels of capacity can be sought for the reasons discussed but in the end profitability must take precedence over some physical measure of overcapacity. It should be noted that equipment is only one of the many costs of fish processing. There are also labour, supplies, energy, water and sewer and so on.

What then constitutes overcapacity? Just how can a government intervene in that decision making process to protect the public interest? What are the specific goals being sought by the government? A look at some sectoral goals offers some ideas in this regard. Physical capacity measures may not be useful.

The only way that an informed determination can be made on excess capacity is from examining financial capitalization levels and their effects on profits over the long run.

Looking at what happened in 1989 compared to 1988 in the Gulf of Saint Lawrence region, a definite problem was the dive in prices, and stocks in the case of crab. But even then the exact financial impact on individual plants is not known. There was excess capacity but was there overcapacity in the long run or just underutilization in the short term? What happened to the extraordinary profits earned in the 1980's when the price of crab went up by eight or nine times?

In addition to probing the financial aspects of capacity, it is necessary to have some notion as to why else there may be overcapacity.

Causes of Excess Capacity

Noted so far have been possible justifications for the presence of excess capacity and underutilization of capacity at the firm level. But what is the reason for the perceived over-capacity? One prevalent cause for which there seems to be some consensus is government largesse. [See Kirby and MacDonald]. Notwithstanding the difficulties of measuring the extent of such inefficiencies, the problem appears as much related to

financial stimulants as to the issuing of processing licences in and of itself. Had less grant money been in the system, it is less likely that licences would have appeared so financially attractive particularly for crab licences.

Assistance was available directly and indirectly. Upfront cash was available. As well, there are cases where fishermen have bought plants while at the same time being in arrears on loans with interest subsidies owed to the provincial government. In fact the increase in licences in the 1980's was due mostly to shellfish licences and a significant number involved fishermen. They all owed money to the Department and many were in arrears.

This is not to argue that fishermen were not entitled to share in the bonanza of crab sections when the price shot up so quickly but market conditions certainly did not justify the subsidization of entry by more processors.

Nor can it be argued that the issue of additional licences was inappropriate in all cases. There was probably room for expansion because of market conditions and those additional licences helped to provide for some sharing of the huge economic rents earned when crab prices increased so dramatically.

Overcapacity has been a rallying cry for explaining the ills of the processing sector during the hard financial setbacks of 1989 but on closer examination it may well turn out to be for other reasons that financial duress was experienced in some quarters.

However as MacDonald points out, the industry may not possess that surplus capacity to the extent claimed. Volume may not be the solution in all cases. Vulnerability may have been due to causes related to management, poor demand forecasting, and other internal factors as well as to public interventions such as barriers to exit provided by the maintenance of poorly performing plants or the subsidization of new entrants or of expanded capacity.

Notwithstanding some of the interpretation difficulties of measuring financial and physical capacity, it is necessary to place those measurements in some kind of framework for the monitoring of industry performance. Capacity measures alone are not sufficient.

Sectoral Economic and Social Goals

It is useful to have some broad economic and social goals to refer to when monitoring industry performance and when developing legislation to manage the sector in the public interest. They give direction and focus to the enactments and to the identification of indicators used to track performance.

Performance goals for a sector might include :

- efficiency of use of available resources and other factors of production, referred to as production efficiency;

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- responsiveness to consumer demands, referred to as allocative efficiency;
 - innovation and progressiveness, such as in :
 - increasing output per input with new technology;
 - introducing new products;
 - full and stable employment, given the seasonality, technology, profitability and resource availability imperatives of the industry;
 - equitable distribution of income among the owners of the means of production and stakeholders such as plantworkers, fishermen and plant owners as well as communities.

Some of these goals are inherently incompatible with one another as for example production efficiency versus full employment. But failure to meet them such as those of production or allocative efficiency in the right mix will show up in the financial performance indicators of individual firms. It is obvious that without equitable returns to investors there would be no employment at all.

It is, by the way, the efficiency of use goal where the capacity debate focuses, but it is the allocative efficiency goal which is much more pertinent to industry survival.

Specific indicators can be developed for each of these goals for purposes of evaluation on the performance of the sector. Physical capacity measures have limited relevance among them because they do not factor well into the profitability framework that a firm must follow, a framework more suited, it must be emphasized, to assessing sector performance. Financial performance indicators must be given the greatest weight.

Bearing these broad goals in mind a scrutiny of the current legislation is now in order.

New Brunswick Fish Processing Act

The Fish Processing Act empowers the Minister of Fisheries and Aquaculture, through a registrar, to issue and renew fish processing licences each year. This is the famous "crab law" which has been strengthened to cover other conditions for the issuing of licences.

Section 4(4) of the act allows the registrar to refuse to licence a new processing plant if he or she is not satisfied that it is in the public interest to establish operate or maintain a processing plant taking into account these criteria :

- the location of the plant;
- the type of equipment;
- the supply of fish available;
- existing under-utilized processing capacity;
- the level and duration of employment in the area.

Provisions are set out in Section 4.1 for re-equipping, modifying or expanding a processing plant. Permission from the registrar is required to do any of that and the registrar may refuse permission if he or she deems that such investment is not in the public interest for similar reasons. This is strong indeed and one has to wonder why there was not any protest from the industry in this regard.

As for the regulations which give effect to the act, they require the applicant for a renewal or issuance of a licence to provide in Form 1, amongst other things, certain specific information about the plant :

- location;
- type of building including dimensions and surface area;
- list of specialized processing equipment;
- species, quantities and sources of supply of fish to be processed;
- historic data on quantities of fish processed in the previous 5 year period;
- number and duration of employment of full-time and part-time employment.

It should also be noted that the department administers the Fish Inspection Act. All fish processing plants must also be licensed under this act as well.

An Assessment

In light of what has been postured so far in terms of performance goals and the complexities of investment decision making in capacity, the act seems a curious mix of provisions. On the one hand the minister is delegated a very strong mandate and **responsibility** to manage fish processing in New Brunswick even to the point of having to approve complicated investment decisions related to modernizing product processing lines! On the other hand, little in the act provides the minister with the kinds of information that would be needed to assess the impact of issuing or not a licence or of renewing one with reference to suggested economic performance goals.

As discussed, financial information at the individual plant level is absolutely essential to understanding plant investment behaviour. Information about these factors are not routinely required by the act in assessing the effect on the public interest.

Physical capacity measures at the macro level are usually inadequate and even at the plant level their degree of usefulness is limited. Macro totals of capacity, using correct measures, versus landings quantities provide some overall picture but they are insufficient for purposes of the act. They provide no insight into the investment decisions going on. Some information is generated with respect to purchases of fish supplies. This is wise because competition for the resource is intense, but then it always has been.

Market information is not required. If serious disruptions were to occur because of new licences or modernization they would frequently show up at the output and sales end of the processing cycle as well as in financial indicators.

Notwithstanding the difficulties of identifying and measuring the impact of licensing decisions and of disaggregating other causes for poor financial performance from licensing decisions by the registrar on specific firms, **there is the more fundamental issue of whether the department really wants to get into the kind of insider decision-making that the act would seem to call for.**

Given the consensus on the important role of government financial assistance so far in stimulating increases in the number of plants and in expanding capacity, it may be more effective to really tighten up the availability of financial assistance throughout the sector at both the harvesting and processing stages. This may have a far more significant impact on rationalization than the difficult exercise of limiting licences.

Conclusions

Starting with a statistical analysis of production figures for 1988 and 1989 (see Appendix 3) which offer some insight into sectoral performance, this discussion was broadened to reflect on how complete the set of indicators might be that DFA has to gain a fuller picture of just what events and trends do occur in the fisheries and aquaculture and what can be done about them.

Events in 1989 were troubling but knowledge of their effects at the individual plant level are incomplete and based on anecdotal evidence. Performance goals must be developed and specific indicators chosen to help evaluate whether they were actually achieved or not. Financial analytical reviews must be predominant among those indices developed. The inordinate attention given to physical capacity must be counter balanced with a wider scrutiny of the many dimensions of the processing sector. This is necessary if DFA is to be properly equipped to administer the Fish Processing Act.

Closer study must be made of the causes of excess capacity. This certainly must involve among other things a serious review of financial assistance.

As an approach to managing fish processing it may be more effective to concentrate on broad framework policy and to leave the individual investment decisions to the firms involved. The processing sector is dynamic and exposed to many forces. There are too many variables and uncertainties that a department would have to or want to deal with. Maybe the best **approach** is to leave individual operations alone and to concentrate on framework policies that shape the business climate rather than to interfere in specific tactical and operational decision making for the industry.

It might be more advantageous in the long run to loosen the grip on licensing and to tighten the hold on financial assistance. Leave an appeal process in place for those who would dispute the issue of new licences or of planned expansions but put the burden of proof on the party claiming negative effects. Flexibility must remain to entry and exit from the sector. Let businesses fail as well as succeed. Allow the adaptation of new technology. Enforce QMP's and GMP's. It must be mentioned that such a change of direction on the policy front will require significant aid by both levels of government. While this may appear contradictory, it must be remembered that the government played a large role in shaping the industry under its present structure. It is only fair that it also help out in changing course.

As already noted, equipment is only one of the inputs to production. Surely no one argues that in the interests of controlling some notional concept of capacity that employees no longer be trained or that new practices be introduced? Or worse, from an administrative and bureaucratic point of view, that such initiatives have to be approved by a department?

As well, clarify the goals for managing fish processing and identify useful indicators for monitoring performance in that regard. They should be complete, accurate, timely and relevant.

Several data bases exist among departments and governments. They should be made relevant, standardized and shared. They must of course be computerized. The information systems to which these data bases belong, however, must undergo a thorough systems analysis and design using modern MIS methodology.

Bibliography : See Appendix 3

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APPENDIX 5 LEGISLATION ARISING FROM THE REPORT'S RECOMMENDATIONS
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Modifications to Fish Processing Act (c. F-18.01) Assented to May 18, 1982

1 In this Act

The subsection of section 1 respecting the "Fisheries Development Board" is repealed and be replaced by a subsection respecting the "Arbitration Board".

"Public Interest Committee" means the persons appointed as Public Interest Committee under subsection 2(3).

2 (3) The Minister shall appoint three persons as Public Interest Committee for the purposes of this Act and the regulations, of whom a person employed in the Department of Fisheries and Aquaculture, the Registrar, shall assume the chairmanship of the Public Interest Committee.

4 (1) The Public Interest Committee, upon application in accordance with the regulations, may issue a licence to a person for the purpose of establishing, operating or maintaining a processing plant.

4 (3) The Public Interest Committee, upon application in accordance with the regulations, may renew a licence.

4 (4) The Public Interest Committee may refuse to issue a licence in respect of a processing plant that was not established, operated or maintained before the commencement of this subsection if the Public Interest Committee is not satisfied that it is in the public interest to establish, operate or maintain a processing plant

4 (5) A licence is subject to the terms and conditions established by or in accordance with the regulations, and such additional terms and conditions as the Public Interest Committee may impose.

4.1 (1) No licensee shall re-equip, modify or expand a processing plant unless

a) the licensee obtains the approval in writing of the Public Interest Committee, and

4.1 (2) The Public Interest Committee may refuse approval under subsection (1) if the Public Interest Committee is not satisfied that it is in the public interest to re-equip, modify or expand the processing plant...

5(3) A licensee shall forward to the **Public Interest Committee** such information, records and reports as are required by the regulations, at such time and in such form as required by the regulations.

7 The **Public Interest Committee** may revoke or refuse to renew a licence if, after investigation and reasonable inquiry, the **Public Interest Committee** is of the opinion that

7.1(1) An applicant or a licensee who is dissatisfied with a decision of the **Public Interest Committee** under this Act may appeal the decision to the **Arbitration Board** in accordance with the regulations.

7.1(2) Under subsection (1), the **Arbitration Board** shall, in accordance with the regulations, consider the appeal and make a recommendation to the Minister in respect of the appeal.

7.1(3) A recommendation of the **Arbitration Board** under subsection (2) is not binding upon the Minister.

8.1 In any prosecution for an offence under this Act any report or return required to be forwarded by this Act or the regulations to the **Public Interest Committee**...

9 The Lieutenant-Governor in Council may make regulations

g) respecting renewals of a licence, including grounds on which the **Public Interest Committee** may refuse to renew a licence;

h) respecting information, records and reports that shall be given or made to the **Public Interest Committee** by licensees, including the time at which and the form in which such information, records and reports shall be given or made;

j) respecting appeals from decisions of the **Public Interest Committee** under this Act and the regulations, including the grounds for appeal, the procedures on appeal, the effect of a decision of the **Public Interest Committee** pending the outcome of an appeal and the powers and authority of the Minister in relation to the appeal;

k) respecting the powers and authority of the **Arbitration Board** in relation to an appeal under this Act and the regulations;

l) respecting the procedure to be followed by the **Arbitration Board** in relation to an appeal under this Act and the regulations; and

Modifications to NEW BRUNSWICK REGULATION 88-276 under the FISH PROCESSING ACT (O.C.88-1116)
Filed December 23, 1988

3 (1) An application for the issuance or renewal of a licence to establish, operate or maintain a processing plant shall be made in Form 1 and shall either be delivered to the **Public Interest Committee** or mailed postage prepaid to the address shown for that purpose on the form.

5 (2) The holder of a licence referred to in subsection (1) shall, for each two week period in which the processing plant is in operation, submit to the **Public Interest Committee** a report in Form 3 showing on a daily basis

5 (3) The report required by subsection (2) shall be submitted either by personal delivery or by mailing postage prepaid to the **Public Interest Committee** to the address for that purpose on the form, no later than the expiration of the week immediately following the two week period dealt with in the report.

6 (1) An applicant or a licensee who wishes to appeal to the **Arbitration Board** under section 7.1 of the Act shall, within ten days after receiving notice of the decision of the **Public Interest Committee**, deliver or mail postage prepaid a written notice to the **Arbitration Board** stating that the applicant or licensee appeals the decision of the **Public Interest Committee**.

6 (2) The applicant or licensee referred to in subsection (1) shall deliver or mail postage prepaid a copy of the notice referred to in subsection (1) to the **Public Interest Committee** at the same time it is sent to the **Arbitration Board**.

6 (3) The notice referred to in subsection (1) shall state in what respect the applicant or licensee is dissatisfied with the decision of the **Public Interest Committee**.

6 (4) Within five days after receiving the notice under subsection (1), the **Arbitration Board** shall consider the appeal.

6 (5) Where an appeal is considered, the chairman of the **Arbitration Board** shall set a date for a hearing which, unless the parties consent to a later date, shall be not later than twenty days after the matter was referred to the **Arbitration Board** and shall serve notice of the hearing prescribed in subsection (7) on the applicant or licensee and the **Public Interest Committee** at least ten days before the date set.

The subsection 6(6) of this Regulation is repealed.

6 (7) A notice of a hearing shall state

c) a statement that, if a party who has been duly notified does not attend the hearing, the **Arbitration Board** may proceed in the party's absence and the party is not entitled to notice of any further proceedings.

6 (8) Where a person has been notified of a hearing and does not attend, the **Arbitration Board** may proceed in the person's absence and the person is not entitled to notice of any further proceedings.

7 The **Public Interest Committee** is a party to any appeal made under section 7.1 of the Act and is responsible to present a case in support of any decision the **Public Interest Committee** has made.

8 Where an appeal of a decision of the **Public Interest Committee** is made by an applicant or licensee under section 7.1 of the Act, the decision of the **Public Interest Committee** being appealed from remains in effect pending the decision of the Minister on the appeal.

9 Each party to an appeal is entitled to make representations and to adduce evidence at a hearing before the **Arbitration Board**, either personally or through counsel.

1 0 The **Arbitration Board** may, subject to this Regulation, determine the practice and procedure with respect to a hearing.

1 1 The **Arbitration Board** shall, within seven days after a hearing is completed, make a written recommendation to the Minister in respect of the appeal, giving reasons for the recommendation made.

1 2 (1) The Minister shall make a decision with respect to the appeal of an applicant or a licensee within ten days after receiving the recommendation of the **Arbitration Board**.

1 2 (3) The Minister may

- a) affirm the decision of the **Public Interest Committee**,
- b) vary the decision of the **Public Interest Committee**, or
- c) vacate the decision of the **Public Interest Committee** and substitute the decision that the Minister is of the opinion that the **Public Interest Committee** should have made,

and in every case the Minister shall in writing advise the parties to the appeal of the Minister's decision.

APPENDIX 6 QUEBEC EXAMPLE OF SECTORAL "RESTRUCTURING/RATIONALIZATION"

Following a study commissioned by the ten producers in the salted/dried sector and partially funded by the Ministère de l'Agriculture, des Pêcheries et de l'Alimentation du Québec, ten firms decided that four of them should shut down. Six firms therefore acquired the other four, consolidating 475 of 525 highly threatened jobs. Here is a summary of the agreement reached by the firms involved:

"The agreement provides for the Gaspé Cured consortium to acquire the share capital of four companies that are shutting down. The purchase price is assessed at approximately \$1.6 million. Also provided for is the repayment of the long-term debt of approximately \$1.3 million of the four firms. An additional \$600,000 is required to cover various transaction costs. MAPA is therefore providing a non-repayable subsidy of \$875,000 and a 10-year interest-free government loan of \$2,475,000. The consortium's shareholders are investing \$150,000, which brings the total to \$3.5 million.

Also, in order that three of the six firms in need of liquid assets can cover the cost of reopening and have working capital for the 1990 season, MAPA is awarding them \$800,000 in loan guarantees."⁷²

Sectoral rationalization is carried out as follows:

1. All participants (in a region or sector) are called to a meeting.
2. It is suggested that a detailed study be conducted of the plants' financial health. The costs of the study are shared 75/25 by the department and the industry.
3. A task force is appointed to determine the terms of reference and objectives of the study. The task force chooses the consultant.
4. Participants must be actively involved in the study. They must put everything on the table; if they refuse to take part, they receive no financial assistance from MAPAQ.
5. The consultant recommends to the group a series of possible solutions and various rationalization scenarios.
6. Negotiations between MAPAQ and the firms are based on these scenarios.
7. A rationalization plan is put forward.

⁷² *Pêche Impact*, Vol. 3, No. 2 (Spring 1990), p. 10.

Financial assistance standards to date include:

1. Non-repayable subsidy: net value of the plants being shut down or bought out.
2. Repayable loan: value of term loans.
3. Additional profitability of the group must be clearly identified:
 - reduction of the debt load of the remaining firms to acceptable levels;
 - obtaining sufficient working capital.

APPENDIX 7
COORDINATION AND DEVELOPMENT BOARDS:
A New Tool for Agricultural Producers, Buyers and Processors to Improve
the Marketing of Agricultural Products Throughout the Food Chain
to the End Consumer.

The Boards: A simple, efficient structure for partners to discuss the marketing of agricultural and fisheries products.

The specific rules for the marketing of such products under the Loi sur la mise en marché des produits agricoles, alimentaires et de la pêche have been expanded to include a new and extremely important dialogue mechanism: coordination and development boards.

In addition to the joint plans which groups of agricultural producers may develop to regulate the marketing of their products (and which remain their primary tool), it will now be possible to set up new, sometimes very informal, structures. Agricultural producers, buyers, processors or other intermediaries will be asked to join forces to come up with ways to optimize product marketing throughout the entire food chain, from field to table.

If agricultural producers so wish, and subject to this condition, the various partners can set up, for example, a poultry, milk or market gardening coordination and development board.

Powers of the Board: Whatever the parties wish them to be, from a very narrow mandate to very broad sectoral development concerns.

Coordination and development boards will be interprofessional coordination agencies designed to defend or promote the general interests of various agricultural sectors. The board's functions may range from serving as a simple mechanism for consultation among members to developing a strategy or action plan covering, for example, agricultural production techniques or the best processing methods. Its functions will depend on what the parties agree upon amongst themselves.

At the outset, board responsibilities may be limited to addressing very urgent problems, such as defending a sector against an American threat of countervailing duties on products exported to the United States.

It can be expected that the primary concerns of participants will be to eliminate decision-making inconsistencies from one level to the next and to make the group more competitive. There will be a forum so that those concerned can remain in contact at the institutional level.

Board discussions could then move toward, for example, improving the quality of products made in Quebec or providing information to consumers. At a later stage, the group might consider developing production and packaging standards or pooling

resources to develop production or processing techniques. Together, members could decide whether each level could make an effort to promote export initiatives. Market development studies and adjusting production schedules to meet demand are already requiring a greater degree of team work.

In view of past practices and the reluctance of agricultural producers who may worry about keeping the joint plan system intact or of industrialists who would have to face their competitors as well as their suppliers, there may be some reluctance to test the formula. Like producers' boards and the joint plan system itself, coordination and development boards will evolve and develop as participants get used to the idea and a consensus emerges.

Establishment of Boards: A process similar to the one used for joint plans.

Before a coordination and development board can be established, agricultural producers or fishermen must first agree to participate. Next, a producers' board and one or more associations representing buyers or other intermediaries may agree to take a communal look at a particular aspect of the product marketing process, such as better coordination of operating methods to make the group as a whole more efficient and competitive, or a joint plan to develop the entire sector.

To establish a board, the promoters must first agree upon an action plan outlining the objectives they intend to pursue and how they intend to pursue them. Next, as in the case of joint plans, they must submit it to the Régie des marchés agricoles, alimentaires et des p,ches. Setting up a board therefore implies that the parties accept an "interprofessional market agreement," just as producers' boards can exist only to manage a "joint plan." A board cannot be established unless approved by the Régie after public hearings have been held. The Régie then grants it powers based on the consensus expressed within the sector itself.

To fulfill the objectives of the "market agreement," board administrators are appointed by the producers' boards and the associations representing intermediaries, buyers, industrialists, wholesalers and retailers in numbers agreed upon by them. These members will hold a minimum number of meetings every year, organized by an executive board with the necessary staff.

The boards are therefore very different from the advisory committees that the minister could set up under the old act to promote cooperation among agricultural producers, processors and other buyers. The actions that a board may decide to take under an "interprofessional market agreement" may apply to the whole sector and even to firms that do not want to participate, just as the prescriptions of a joint plan apply to all agricultural producers regardless of whether or not they have agreed to contribute to the work of the producers' board in question. Provided it is approved by the Régie, the power of a board to collect the dues necessary to fund the board's activities will also be binding on all.

Timeliness of Establishing a Board: Conditions for marketing agricultural and fisheries products have changed radically over the past 20 years and, to be competitive, buyers, processors and other intermediaries must now be directly involved in following up on joint plans.

The very structures of the agri-food sector both in Canada and throughout the world are evolving very rapidly, which is altering the rules upon which the joint plan system was built.

Economic globalization affects the agricultural industry in two ways. First, because of the homogenization of tastes and needs worldwide, competition has become international. More and more, products on store shelves are coming from all over the world. Second, globalization leads to the establishment of huge industrial or commercial firms with vast human, technical and financial resources that are progressively diversifying their activities on a worldwide basis. This concentration of firms demonstrates the vital role played, for Quebec agriculture, by Quebec firms and shows the need for more dialogue among the various players involved in the marketing of agricultural products.

Competition has therefore largely gone from the agricultural product stage to the food product stage and has become international. Market internationalization is further accentuated by the lowering or even the progressive disappearance of trade barriers among countries; ex. the free trade agreement with the United States, the last phase in the establishment of the 1992 common market, changes in GATT rules on the world organization of trade in agricultural and food products.

Many industrialists or merchants have long been demanding to "participate in joint plans." Agricultural producer unions, feeling the same need, have come up with a "field to table" development strategy and taken a number of initiatives downstream from the primary sector. The time has past for "confrontational" type negotiations; people who share the same basic interests must now engage in dialogue.

Under these circumstances, not only is it essential to improve the competitiveness of Quebec agriculture, but the important role played by processors and retailers must be recognized. It can no longer be hoped that an interest in primary processing will promote the efficient marketing of agricultural products. Now, all of the agri-food chain must be mobilized through the joint effort of the partners. This partnership could result in a series of concrete measures set out in "interprofessional market agreements" negotiated by coordination and development boards.

Ministère de l'Agriculture, des Pêcheries et de l'Alimentation du Québec
90/11/21

APPENDIX 8 SUMMARY OF RECOMMENDATIONS

RECOMMENDATION 1

The Task Force recommends that the Fish Processing Act be modified such that the functions presently assigned to the Registrar be assumed by a Public Interest Committee which would have the mandate:

1. to issue fish processing licences;
2. to evaluate all requests for new fish processing licences; and,
3. to make changes to existing licences.

The Public Interest Committee must publish every request for a fish processing licence and, if it judges necessary, must hold hearings. This is to ensure greater transparency of the process for issuing fish processing permits.

RECOMMENDATION 2

The Task Force recommends that the Public Interest Committee be composed of three members appointed by the Minister of Fisheries and Aquaculture for a period of 2 years: the Registrar who shall be chairperson; a member representing the fish and seafood sector; one other member.

RECOMMENDATION 3

The Task Force recommends that the first task of the Public Interest Committee be to prepare a detailed list of the criteria to be maintained and used to evaluate every request for a fish processing licence. Requests would include:

- licence renewals
- changes to existing facilities
- new licences
- changes in ownership

RECOMMENDATION 4

The Task Force recommends that the Public Interest Committee must justify in writing the reasons which lead to rejecting or to accepting a request for a fish processing licence. This written reply must be conveyed to the applicants within 30 days of receipt by the Public Interest Committee of the request for the fish processing licence.

RECOMMENDATION 5

The Task Force recommends the creation of an Arbitration Board whose mandate is to consider every appeal to decisions made by the Public Interest Committee and to make recommendations to the Minister of Fisheries and Aquaculture regarding every appeal. It goes without saying that Section 7 of the New Brunswick Fish Processing Act as well as Section 6 of Regulation 88-276 of that Act must be modified accordingly.

The Arbitration Board shall be completely free to determine the implementation methods which relate to the appeal.

RECOMMENDATION 6

The Task Force recommends that the Arbitration Board be composed of three persons who are appointed by the New Brunswick Minister of Fisheries and Aquaculture who are completely independent of the fishing industry.

The chairperson must be a lawyer.

RECOMMENDATION 7

The Task Force recommends that the operating costs of the Public Interest Committee and the Arbitration Board be funded directly from processing licence fees collected annually.

RECOMMENDATION 8

The Task Force recommends that each processing enterprise that has been closed for a minimum of two years be evaluated by the Public Interest Committee, in consultation with any financial institution involved, to determine the status of its fish processing licence.

RECOMMENDATION 9

The Task Force recommends that the Public Interest Committee, in cooperation with any concerned lending agencies, automatically conduct an evaluation of the status of a fish processing enterprise whose production level during two years does not exceed ten percent of the average production for the two preceding years.

RECOMMENDATION 10

The Task Force recommends that the Department of Commerce and Technology favour financing by means of loan guarantees in the case of short term financial difficulties and, with few exceptions, that the loan period not exceed two years.

RECOMMENDATION 11

The Task Force recommends that, except in the cases of strategic plants, rationalization or modernization, the Government of New Brunswick not provide financial assistance to any processor which would allow it to reopen or prevent it from closing.

Any reopening involving government funds must have the prior approval of the Public Interest Committee.

RECOMMENDATION 12

The Task Force recommends that, within the framework of existing programs, the provincial departments of Fisheries and Aquaculture and of Commerce and Technology along with the federal departments of Fisheries and Oceans and the Atlantic Canada Opportunities Agency work together and coordinate the establishment of a fund for restructuring and rationalization.

The fund would provide loans and loan guarantees to enterprises wishing to implement a strategy for restructuring or rationalization.

RECOMMENDATION 13

The Task Force recommends that the New Brunswick Department of Commerce and Technology, with the participation of the New Brunswick Department of Fisheries and Aquaculture, proceed with an accounting assessment of the financial health of each of the processing plants in the province in order to determine the level of funds required for restructuring and rationalization.

Companies which do not participate in this exercise would be subject to the condition of Recommendation 15.

RECOMMENDATION 14

The Task Force recommends that the Government of New Brunswick cost share (percentage to be determined) with industry in developing proposals for assisting groups of plants to restructure and in sectoral studies on rationalization.

RECOMMENDATION 15

The Task Force recommends that the participation in the sectoral studies on rationalization be voluntary but that no financial assistance of any kind be provided to plants which do not participate in such studies.

RECOMMENDATION 16

The Task Force recommends that any plant which shuts down due to a restructuring or rationalization exercise be subject to Recommendations 8 and 9.

RECOMMENDATION 17

The Task Force recommends that the federal government, through the Departments of Fisheries and Oceans, Industry, Science and Technology and Employment and Immigration, and in concert with the appropriate New Brunswick departments, establish a specific program for the revitalization of the New Brunswick fisheries.

RECOMMENDATION 18

The Task Force recommends that the provincial Minister of Fisheries and Aquaculture and his federal counterpart work in collaboration with the New Brunswick Minister of Labour and the federal Minister of Employment and Immigration to establish rules for unemployment insurance which take into account the particular character of the New Brunswick fishing industry while respecting the needs of both plant workers and plant employers.

RECOMMENDATION 19

The Task Force recommends that a summit meeting be held between the personnel from the federal Department of Employment and Immigration and the personnel of the provincial Department of Labour to coordinate the planning and implementation of services within the framework of existing job creation programs.

RECOMMENDATION 20

The Task Force recommends that, starting in 1992, any person who works in fish and seafood processing be obliged to hold a Fish Processing Skills Certificate.

RECOMMENDATION 21

The Task Force recommends that plant workers who have worked for at least six weeks in fish processing in New Brunswick during the last three years automatically receive a Fish Processing Skills Certificate.

RECOMMENDATION 22

The Task Force recommends that the Fish Processing Skills Certificate only be granted to those persons who have successfully completed a training program to be developed by the New Brunswick School of Fisheries and Aquaculture using funds available from the training programs of the Department of Employment and Immigration.

RECOMMENDATION 23

The Task Force recommends that workers who receive a Fish Processing Skills Certificate under Recommendation 21 should complete the required training program within five years.

RECOMMENDATION 24

The Task Force recommends that a study of fish plant worker wage levels be done in five years in order to determine the impact of the Fish Processing Skills Certificate.

RECOMMENDATION 25

If the study shows that the plant worker wage levels stayed relatively the same or went down, the Task Force recommends that the New Brunswick Government decree a minimum wage for fish plant workers equal to 150% of the provincial minimum wage.

RECOMMENDATION 26

The Task Force recommends that the province undertake, as rapidly as possible, discussions with the federal government to implement an adjustment program to help older fish plant workers retire from the fish processing industry.

RECOMMENDATION 27

Such an adjustment program should allow an older New Brunswick fish plant worker to retire from the labour market and to receive, until age 65, an indexed pension equal to 70% of his or her unemployment benefits at the time of retirement.

RECOMMENDATION 28

The Task Force recommends the immediate creation of a provincial working group to study the whole question of individual transferable fish stock quotas and to recommend an appropriate policy in this regard to the provincial Department of Fisheries and Aquaculture.

RECOMMENDATION 29

The Task Force recommends that the Government of New Brunswick take steps immediately to approach the other Atlantic provinces and the Department of Fisheries and Oceans in order to amend the federal act to permit fish and seafood processors to buy fishing vessels which are less than 65 feet in length overall and which are under an individual transferable fish quota regime.

RECOMMENDATION 30

The Task Force recommends that the federal government, with the help of the provinces, organize and finance a major study on the socio-economic situation of fishermen. The study should be conducted by a working group from each of the fishing regions of the Atlantic provinces. The working group should also be composed of representatives from the principal fishermen's associations. Fishermen representatives should choose their own chairperson. As well, the working group should have federal and provincial civil servants and fish processors. The mandate of the working group should be to examine current federal and provincial programs as they relate to fishing activity with the view of improving the viability of the industry in its entirety.

RECOMMENDATION 31

The Task Force recommends that the New Brunswick Department of Fisheries and Aquaculture develop a research and development policy for fisheries and aquaculture in New Brunswick. The policy should establish an appropriate operating framework for coordinating the different research and development organizations such that available funds are used for the maximum benefit of the industry.

RECOMMENDATION 32

The Task Force recommends that the New Brunswick Department of Fisheries and Aquaculture do everything possible to encourage and facilitate the formation of marketing groups.

In the short term, government involvement should be limited to participation in the financing of feasibility studies.

Later, the New Brunswick Department of Fisheries and Aquaculture, together with the Department of Commerce and Technology, should define a policy of financial support for these marketing groups.

RECOMMENDATION 33

The Task Force recommends that the New Brunswick Department of Fisheries and Aquaculture match financial contributions made to CALPA by fish processors in the province. With this gesture, New Brunswick can set the tone for other provinces: more or less in the short term, CALPA can be endowed with several million dollars to promote lobster.

RECOMMENDATION 34

The Task Force recommends that the new marketing division, which starts up officially in April of 1991, should have at least these two dimensions to its mandate:

- In order to fill in the gap left by the transfer of responsibilities from the Department of Commerce and Technology to the Department of Fisheries and Aquaculture, it is imperative that a "product development" segment be created.
- In order to fill another obvious gap, it seems to us that a second task of this new division should be to coordinate the actions of the department related to promotion such as trade and technology missions, participation at shows and international exhibitions.

RECOMMENDATION 35

The Task Force recommends that the New Brunswick Department of Fisheries and Aquaculture form a study group to monitor and to analyze the Québec experience related to the implementation of joint marketing plans. The group should have representatives from the Department of Fisheries and Aquaculture, fishermen and processors.

RECOMMENDATION 36

The Task Force recommends the creation of a fund for the modernization of fish and seafood processing plants in New Brunswick with the goal of offering affected processors loans and loan guarantees for upgrading to meet the highest quality standards.

RECOMMENDATION 37

The Task Force recommends that the Public Interest Committee make it a requirement of every New Brunswick fish processing licence that federal quality and health standards be respected.

RECOMMENDATION 38

The Task Force recommends that brokers and pedlars be obliged to submit to the same health standards as processors and that, accordingly, their vehicles and equipment be subjected to an obligatory annual inspection.

RECOMMENDATION 39

The Task Force recommends that the price of a licence to buy fish and seafood should be comparable to that paid by processors, say \$500.

RECOMMENDATION 40

The Task Force recommends:

1. that a complete and systematic study be undertaken of the training needs in the fishing industry for the whole province;
2. that programs corresponding to those needs be developed as soon as possible in concert with concerned parties and within the framework of a collective exercise coordinated with appropriate teaching institutions.

RECOMMENDATION 41

The Task Force recommends that the New Brunswick Department of Fisheries and Aquaculture prepare a complete inventory of available statistics on the New Brunswick fishing industry; evaluate its needs in terms of statistical information; and develop a plan for the collection, production and management of information including the negotiation of memoranda of understanding with the provincial departments of Commerce and Development as well as Labour and the federal departments of Fisheries and Oceans, International Trade and Industry, Science and Technology.

RECOMMENDATION 42

The Task Force recommends that the New Brunswick Department of Fisheries and Aquaculture make every effort to hold a minimum of two meetings every year for each of the regional advisory committees. These meetings should be chaired by the deputy minister or an assistant deputy minister of the New Brunswick Department of Fisheries and Aquaculture.

RECOMMENDATION 43

The Task Force recommends also that the New Brunswick Department of Fisheries and Aquaculture hold an annual general assembly, chaired by the Minister of Fisheries and Aquaculture, which would bring together the members of the three regional advisory committees. This assembly would provide a real opportunity to create a provincial consciousness for the fishing industry and to lay the foundation for a concerted effort for discussing and elaborating major policy and main guidelines for the department's annual action plan.